ANNUAL REPORT

California Public Utilities Commission

1978-79

PUBLIC UTILITIES COMMISSION

State of California
1978–79 Fiscal Year

JOHN E. BRYSON, *President*

RICHARD D. GRAVELLE, *Commissioner*

LEONARD M. GRIMES, JR., *Commissioner*

WILLIAM SYMONS, JR., *Commissioner*
[Term Expired, Dec. 31, 1978]

VERNON L. STURGEON, *Commissioner*

CLAIRE T. DEDRICK, *Commissioner*

ROBERT BATINOVICH, *President* *
[Resigned, Jan. 18, 1979]

PUBLIC UTILITIES COMMISSION
State of California

ANNUAL REPORT

1978–79 Fiscal Year

July 1, 1978

to

June 30, 1979

TABLE OF CONTENTS

	Page
Letter of Transmittal	3
Introduction	7
The Commission	9
The Executive Director	12
Legal Division	13
Division of Administrative Law Judges	17
Management Services Division	19
Southern California Office	22
Revenue Requirements Division	25
Finance Division	32
Communications Division	37
Utilities Division	42
Electric Branch	42
Gas Branch	47
Hydraulics Branch	52
Energy Conservation Branch	53
Environmental Impact Branch	58
Statistical Section—Utilities	59
Transportation Division	91
Carrier Operations and Licensing	92
Freight Economics Branch	97
Reregulation Proceedings	98
Compliance and Enforcement	102
Surface Passenger Transportation	107
Air Passenger Transportation	113
Railroad Operations and Safety	119
Appendices	
National and Regional Committee Work	126
Utilities and Carriers Under PUC Jurisdiction	127

Chart Titles

Typical Gas, Electric and Telephone Bills	
25 Largest Cities in the United States	65
Major Electric Utilities	
Electric Sales—Other Than Resale	67
Average Electric Usage Per Customer	68
Major Gas Utilities	
Gas Sales—Other Than Resale	70
Average Gas Usage Per Customer	71
Fuel Cost as a Percentage of Total Operation	
and Maintenance Expense, Electric Generation	72
Distribution of Gross Operating Revenues	
Large Telephone Utilities in California	73
Large Electric Utilities in California	74
Large Gas Utilities in California	75
Large Water Utilities in California	76
Growth of Large Water Utilities	77
Growth of Large Electric Utilities	77
Growth of Large Gas Utilities	78
Growth of Large Telephone Utilities	78
Trend of Monthly Bills	
Residence Telephone Service	79
Residence Electric Service	80
Residence Gas Service	81
Electric Rate Structure Redesign	
Pacific Gas and Electric Co	82
Southern California Edison Co	83

San Diego Gas & Electric Co 84
Natural Gas Rate Structure Redesign
Pacific Gas and Electric Co 85
San Diego Gas and Electric Co 86
Southern California Gas Co 87
California Utilities Natural Gas Flows 88
Environmental Reviews of Proposed Projects 89
Fuel Oil Portion of Mix Needed to Generate
One Million Kilowatthours of Electricity 90

Public Utilities Commission

STATE OF CALIFORNIA

GOVERNOR EDMUND G. BROWN JR.
and
THE LEGISLATURE OF CALIFORNIA

Until recently, the regulation of public utilities and transportation companies was a relatively tranquil part of California government. Now that situation has undergone a drastic change.

Inflation, skyrocketing fuel prices triggered by OPEC decisions, high interest rates, and continued growth in California's population have changed things dramatically:

- Gas and electric costs are increasing rapidly, with enormous financial impacts on virtually every resident and business in California.
- Products moved by truck are becoming more expensive, partly because shipping costs are going up rapidly.
- To replace some of that costly transportation of goods, as well as the movement of people, a modern efficient telephone system is increasingly important.

In coping with these changed conditions, this commission has improved many traditional regulatory practices:

- For the first time, the PUC in the past year has undertaken formal investigations into long-term utility *energy supply planning.* We seek through these investigations to ensure reliable supplies of energy at the lowest possible cost, through the 1980's and early 1990's.
- The PUC has *reversed* traditional utility rate structures: costs of energy now increase with increased consumption, which encourages everyone to conserve.
- The Commission has required the electric companies it regulates to institute *Conservation Voltage Regulation.* This means that the utilities reduce the upper voltage levels they deliver but without any interference with the operation of electrical equipment or appliances. In 1979, Conservation Voltage Regulation saved 2.5 *billion* kwh, or the equivalent of 3.8 million barrels of oil.
- The PUC has required the utilities to undertake extensive *public education* programs on conservation techniques.
- The Commission authorized California utilities to pay a price for cogeneration electricity that will encourage industries to provide new supplies of electricity. *Cogeneration* is the sequential production of electricity and heat, steam, or useful work from the same fuel source, and it helps reduce the need to build large power plants.
- In other measures to increase efficiency, the commission has established *time-of-use rates* that provide lower charges when major users of electricity schedule their demands for off-peak hours. The Commission has also, on a demonstration basis, authorized discount rates for homeowners who voluntarily agree to participate in programs that lower their use of electricity during peak hours.

- The PUC has asked the energy utilities to provide *free energy audits* to advise homeowners and businesses on how to save gas and electricity and thereby save money.
- The Commission has ordered the utilities to provide below-market interest rates for *installation of energy-saving features* in existing houses. Such financing programs are now available from every major regulated gas and electric utility in California.
- The PUC has also moved vigorously to encourage the installation of *solar water heating* equipment in California homes by calling upon utilities to devise and test low-cost financing programs for such installations.

At the same time, the PUC has sought to introduce new approaches in other areas of its jurisdiction, to allow the introduction of efficiencies and lowered costs.

For example, we are encouraging competition in the trucking industry by removing the protective blanket of regulation in existence since the Depression when it was necessary to protect that fledgling industry. And we have called for new telephone rates that will encourage the use of phones during off-peak hours and allow more short calls at lower cost.

As of the day we finished preparing this annual report, electric and gas utilities in California had filed applications with us to increase their rates by nearly $2 billion, solely to pay for fuel they buy from suppliers. Whatever increases are actually granted, they will yield nothing in additional utility profits but will simply offset higher costs for gas and oil.

At the same time, water companies we regulate are struggling with higher costs and seeking rate increases in some cases substantial increases, to provide good water service for their customers.

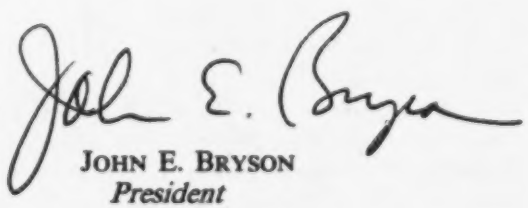
The telephone companies we regulate are seeking large rate increases to modernize and extend their communications networks, while at the same time, millions of dollars in refunds to consumers are being ordered in accordance with past commission decisions and years of litigation.

Utility customers, stung by rapidly rising bills for water, power, and heat, vigorously demand that the PUC aggressively limit rate increases.

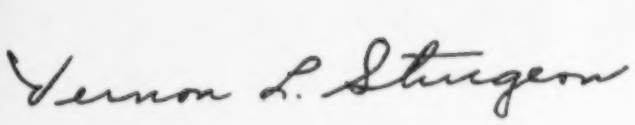
In short, the job of the PUC has never been more challenging or important. New problems require new solutions. We are, within our resources, seeking them. Many of these PUC solutions, it should be noted, have been copied and incorporated into new Federal energy legislation.

In the report that follows, we summarize the past year. In this letter we have tried to highlight the important and difficult legal responsibilities of the PUC now and in the future. We fully understand that the decisions we must make in the coming months will, more than ever before, directly affect the economy and quality of life of California in the 1980's and beyond.

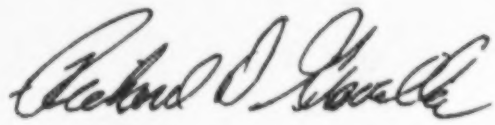
Respectfully submitted,



JOHN E. BRYSON
President

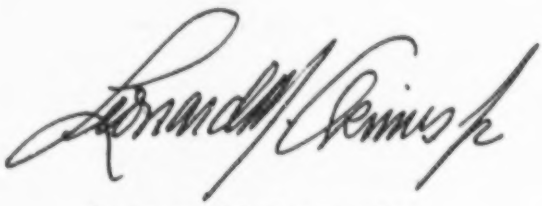


VERNON L. STURGEON
Commissioner



RICHARD D. GRAVELLE
Commissioner

CLAIRE T. DEDRICK
Commissioner



LEONARD M. GRIMES, JR.
Commissioner

Introduction

The California Public Utilities Commission, formerly the California Railroad Commission, was created by amendment to the State Constitution on October 10, 1911. Implementing legislation, which clarified its duties and powers, became effective in 1912.

The commission is made up of five members appointed by the Governor, with the consent of the Senate, for terms of six years. The appointments are made at different times, so that a majority of the commission at all times will be experienced in carrying out its duties and responsibilities. One of the five is elected annually as president by his fellow Commissioners and presides at decision-making conferences and other formal sessions.

The Executive Director takes the necessary steps to ensure that matters before the commission are moved efficiently and expeditiously, and to that end he organizes and supervises the activities of the staff. All final decisions, however, are made by a majority of the commission's five members.

The commission is an administrative agency exercising both legislative and judicial powers. It may take testimony in the same manner as a court; issue decisions and orders; it may cite for contempt and may subpoena records.

Major duty of the commission is to regulate certain privately owned utilities and to secure to the public adequate service at rates which are just and reasonable, both to customers and to shareholders of the utilities. The law prohibits variation from established rates or discrimination.

The Public Utilities Act of 1912 gave the commission jurisdiction over gas, electric, telephone, telegraph, heat and water corporations, as well as over common carriers by rail of passengers and freight. Express corporations, wharfingers, and others were included in the 1912 act. Legislation modified and extended the commission's jurisdiction from time to time, and this legislation all was codified in the Public Utilities Code, effective in 1951.

As the highway carrier industry grew, it was brought under commission jurisdiction by supplemental statutes. A 1917 law covered buses and common carrier trucks. In 1935 additional truckers were brought under commission regulation by the Highway Carriers' Act and the City Carriers' Act. The Household Goods Carriers' Act was passed in 1951 and the Cement Carriers' Act in 1963.

The widened scope of its regulatory functions resulted in changing the name from the Railroad Commission to the Public Utilities Commission by constitutional amendment in 1946.

The California Public Utilities Commission regulates the rates and service of more than 1,500 privately owned utilities and transportation companies. These include gas, electric, water, telephone and telegraph companies, railroads, airlines, buses, trucks and vessels transporting passengers or freight in intrastate commerce, warehousemen, wharfingers and pipeline companies.

There are also more than 19,000 highway carriers which have permits to transport property for the public for hire.

Safety of the public and employees of utilities and railroads is of major concern to the commission. Safety of overhead power and communication lines, substations and gas storage facilities are under commission jurisdiction. It is charged with supervision of safety at railroad-highway grade crossings and with safe operations of freight and passenger trains.

To provide the public with monetary protection in the event of accidents, the Public Utilities Code requires that regulated truck operators who haul for the public for hire must maintain specified amounts of public liability and property damage insurance. If their insurance lapses their authority to operate is canceled.

Minimum liability and property damage insurance also is required for all aircraft in California hauling passengers or freight for hire. The insurance must be effective even though federal regulations with regard to operations may have been violated.

Commission authorization is required for the transfer on encumbrance of utility property; any issue of stocks, bonds, or other securities by a regulated utility; certain construction or extension of plants or other facilities. The commission requires uniform accounting and uniform annual reports. All annual reports are on file and open to public inspection.

The charges Californians pay for transportation and utility service result from rates authorized or permitted by the Public Utilities Commission. Acting in behalf of the public the commission holds utility rates at the lowest level which will afford utilities an opportunity to earn "just and reasonable" returns upon their original investments (minus depreciation) in property devoted to public use.

Actually, regulated utilities operate at cost, plus the rate of return allowed by the commission.

Present rates, having been so established, are presumed to be fair and reasonable. If any utility files an application for an increase in rates, the burden of proof always is upon the utility to show that additional revenue is necessary to provide a "fair and reasonable return."

Customers also may initiate hearings on either rates or service by filing a formal complaint. Any complaint as to the reasonableness of rates or charges of gas, electric, water or telephone corporations must be signed by the mayor or president or chairman of the board of trustees, or a majority of the council, commission or other legislative body of the city or county, or by not fewer than 25 consumers or prospective consumers or purchasers of service.

The commission also may order an investigation on its own motion at any time that consideration of the rates or service of a regulated utility would appear to be in the public interest.

Formal petition also may be made to the commission in matters such as allocations of costs for grade crossing protection, modification of orders relating to safety regulations or changes in other regulations. Public hearings usually are ordered.

The commission may decide certain proceedings *ex parte* when no public hearing is deemed necessary.

After public hearings, which are presided over by a Commissioner or an Administrative Law Judge sitting for a Commissioner, a case is taken under submission for decision by the entire commission. A decision signed by three Commissioners becomes the official action of the commission. A Commissioner who disagrees with the majority decision may issue a dissent if he desires, which becomes a part of the official record.

After an application for a rate increase is filed with the commission, a public hearing is scheduled and announced so that everyone interested may attend. Hearings, in a major case, may require several days, extending over a period of weeks, with intervals between to allow all interested parties time to study exhibits and testimony presented and to prepare their own testimony.

The applicant first states the reasons an upward adjustment of rates is requested. Company officials testify under oath at a public hearing, which anyone may attend, as to the utility's investment, its actual and requested earnings, its revenues and operating expenses. The United States Supreme Court has ruled that income taxes must be considered a lawful operating expense of a regulated utility and the California Public Utilities Commission must abide by that decision.

Company witnesses may be cross-examined by the public or its representatives and by commission attorneys, acting in the public interest. Commission staff experts will challenge any statement or company claim they do not believe justified or accurate.

Then, or at a later hearing, all interested parties will be heard. Public representatives may offer testimony by their own expert witnesses, who may be cross-examined by any of the parties in interest. Anyone with information which has a bearing on the case may testify.

The commission also assigns to its staff experts the important role of making an intensive study of all factors involved in a particular application and presenting factual testimony during the public hearings. These engineers, accountants, research and rate experts present evidence and may be cross-examined by all parties in interest. A commission staff attorney is assigned to each major case to act as the advocate of the public interest. He assists in presenting staff testimony, may cross-examine witnesses to bring all the facts before the commission, and generally aids in developing a complete and comprehensive record.

When all the evidence has been heard the case is taken under submission.

This complete record is the basis for the decision rendered by the commission. The application may be denied, authorized in whole or in part, or with such modifications as the commission finds to be justified by the facts.

Petition for rehearing of any case or for further hearing may be made to the commission by any party to the proceeding. If this petition is denied, recourse may be had to the California Supreme Court.

The staff is made up of attorneys, accountants, engineers, rate and safety experts, and clerical help. As of June 30, 1979, the commission had 1,040 authorized employees.

The staff is composed of seven divisions, each headed by a director. The commission relies on its staff to provide it with legal, background and factual information, often in the form of written reports.

By statute, the commission's headquarters are in San Francisco. A major branch, however, is maintained in Los Angeles. Six divisions, all except the legal division, have personnel in the Los Angeles office who are familiar not only with commission policies and procedures but particularly with conditions and needs in the southern area of the state.

The public also may obtain information about the commission at 17 field offices in cities throughout the state. While these are primarily branch offices of the Transportation Division's Compliance and Enforcement Branch, dealing with truck operators, personnel also are able to offer general information about the commission or, in many instances, to direct inquiries to the proper person in San Francisco or Los Angeles. Informal complaints also may be made at the field offices, which are located in Sacramento, Oakland, Redding, Santa Rosa, Eureka, Stockton, San Jose, Fresno, Bakersfield, Santa Barbara, Downey, El Monte, Panorama City, San Bernardino, Santa Ana, San Diego and El Centro.

The Commission

JOHN E. BRYSON
President

Commissioner Bryson was appointed to the Public Utilities Commission by Governor Edmund G. Brown Jr. on January 26, 1979. He was elected president of the commission on January 30.

He was formerly chairman of the California State Water Resources Control Board from April 26, 1976 to January 25, 1979, which administers California's water pollution control and water rights programs. Prior to that time, he was an attorney in Portland, Oregon and vice chairman of the Oregon Energy Facility Siting Council.

He was one of the founders in 1970 of the Natural Resources Defense Council (NRDC), a natural public interest environmental law firm, with offices in New York, Washington, D.C. and Palo Alto, Ca. In September 1972 he established NRDC's western office.

Born in New York, N.Y. in 1943, Commissioner Bryson was educated in Portland, Oregon, attended Stanford University 1961–65, receiving a B.A. degree, was president of the sophomore class and the recipient of the Woodrow Wilson Fellowship for graduate study. From 1965–66 he was the recipient of Stanford Exchange Scholarship, at Freie Universitaet Berlin. He received his J.D. degree from Yale Law School in 1969, was on the Board of Editors of the *Yale Law Journal* and an assistant in instruction, 1968–69.

He served as a visiting lecturer at Stanford Law School in 1978–1979 teaching water law and is a member of the Governor's Commission to Review California Water Rights Law.

He is a member of the California, Oregon and District of Columbia Bar Associations. He is married, has two children, and presently resides in Palo Alto.

VERNON L. STURGEON
Commissioner

VERNON L. STURGEON, *Commissioner*—Appointed Commissioner, September 2, 1969; reappointed for six-year term on December 29, 1972; served as president of the commission. He was re-appointed by Governor Brown on January 26, 1979 to fill the 2-year unexpired term of Commissioner Batinovich, who resigned.

Born October 1, 1915, of a pioneer California family temporarily in Arizona; returned to California with family at one year of age. . . . Attended California public schools and worked on family ranch. . . . Owner-operator of milk distributorship plant in City of Paso Robles since 1940; now operated by son. . . . Extensive government experience; Paso Robles Water Commissioner, 1952–54; Police Commissioner, 1954–56; City Council member, elected for three four-year terms; Mayor of Paso Robles, elected three times before being elected to State Senate in 1960 from San Luis Obispo County. . . . Served in Senate until January 1, 1967. . . . Appointed Legislative Secretary by Governor Ronald Reagan. . . . Appointed Chief Deputy Director, Department of Public Works, February 13, 1968 before being appointed to PUC. Elected president of the commission July 1, 1972; reelected July 1, 1973. . . . Married to Esther Maston in 1938; three children, six grandchildren.

RICHARD D. GRAVELLE
Commissioner

RICHARD D. GRAVELLE, *Commissioner*—Appointed to the PUC on January 26, 1977 by Governor Edmund G. Brown Jr. for a six-year term.

Born in Portland, Oregon, December 5, 1926, he grew up in San Francisco, attending school at St. Ignatius High School, University of California, Berkeley, the University of San Francisco and USF School of Law . . . In private law practice 1956–59 . . . Joined PUC staff in 1959, where his duties included: Legal Assistant to two commissioners; trial counsel in the Legal Division; Examiner and decision writer; supervising attorney and trial attorney.

Served as General Counsel, heading the PUC's Legal Division for 2½ years prior to his appointment as a commissioner.

Served in the U.S. Navy 1946.

Resides in Daly City. Married, has four sons.

CLAIRE T. DEDRICK, *Commissioner*—Appointed to the PUC By Governor Edmund G. Brown Jr. on June 23, 1977.

Born in Logan, Utah on June 28, 1930, Mrs. Dedrick did her undergraduate studies in biological sciences and botany at the Universities of Utah and Arizona State, receiving a Bachelor of Science degree in 1952. In 1965 she received her doctorate in microbiology from Stanford University.

Prior to her appointment to the PUC, she served in the Governor's cabinet as Secretary for Resources, The Resources Agency, since January 4, 1975.

A resident of the Bay Area since 1955, she has been an active conservationist and has served as a past director and first vice president of the Sierra Club; founder and director of the Peninsula Conservation Center; cofounder, Save Our Bay Action Committee; advisory board, Modern Transit Society; past director and treasurer, Western Institute of Aviation; past director and vice president of the California League of Conservation Voters.

She is married to Kent G. Dedrick. Presently resides in Sacramento.

CLAIRE T. DEDRICK
Commissioner

LEONARD M. GRIMES
Commissioner

Leonard M. Grimes, Jr., was appointed to the PUC by Governor Edmund G. Brown Jr., on January 26, 1979. He was formerly the Secretary of the State and Consumer Services Agency, which has been described as the "conglomerate" of state government. Governor Brown elevated Grimes to that post in March 1977.

The agency exercises general supervision over, and is directly responsible to the Governor for the operations of the Departments of Consumer Affairs, General Services, and Veterans Affairs, as well as the Office of the State Fire Marshal, the Franchise Tax Board, the State Personnel Board, the Public Employees' Retirement System, the State Teachers' Retirement System, the Museum of Science and Industry, and the California Public Broadcasting Commission. He was also responsible for administering the Intergovernmental Personnel Act Grant Program and the Governor's Safety and Rehabilitation Program. The total annual program budget for the agency and its departments exceeds $813 million dollars.

As agency secretary, Grimes was a member of the Governor's cabinet where he advised and assisted in establishing major policy and program positions for the various units within the agency as well as for state government in general.

Prior to assuming the post of secretary, Grimes served as Director of the State Department of General Services, having been appointed to that position in February of 1975. Prior to his appointment as General Services Director, he assisted the Brown administration as a member of the transition team. Before entering state service, he was a Vice President of Golden State Mutual Life Insurance Company—the largest western black-owned life insurance company.

As Director of General Services he was responsible for the State's central service and support operation with an annual budget of over $169 million. The department is responsible for most state purchases, state building construction, maintenance and protection of state buildings, and the management of state-owned property. The department also oversees the operation of the state's major printing facilities, its vehicle fleet, its communication network, and the state's Small Business Procurement Office, the California Office of Minority Business Enterprise, and the state's Local Assistance program for school construction.

As Director of General Services, he served as chairman of the State Board of Control. The Board receives, processes, and investigates all claims for money or damages against the state, including the largest Victims of Violent Crimes Program in the world. He was also a member of the State Public Works Board and the State Allocation Board and chaired the Building Standards Commission.

Commissioner Grimes began his career with Golden State Mutual in 1946, and had a wide range of experience in the company and with business generally. His work with GSM ranged from public relations and advertising to business systems (including installation and management of the company's computer operations, purchasing, property management, and general corporation administration and services. Throughout his career with GSM, he was a member of related business and professional associations and worked with many community organizations either as an officer or advisor.

A native of California, he was born in Los Angeles in 1923 where he lived until moving to Sacramento. He served in World War II in the Pacific Theater, receiving an honorable discharge in 1946. Graduated from the University of Southern California with a B.S. Degree in Business Administration in 1952, he has maintained his educational development through graduate and special courses in business and related subjects.

Commissioner Grimes is a registered Democrat and a Black American.

ROBERT BATINOVICH *
President

ROBERT BATINOVICH, *Commissioner*—Appointed to the PUC by Governor Edmund G. Brown Jr. in March 1975. Elected president of the PUC in January 1977.

Born in San Pedro, California, July 13, 1936. Attended schools in San Francisco and Long Beach, California.

Twenty years of business experience including manufacturing, electronics, finance and sales. Associated with Norris Industries for seven years and with Hyatt Corporation for two years. Presently has diversified business interests.

Married to Garnet Ann Ayers. Resides in Hillsborough, California.

* Resigned from the commission on Jan. 18, 1979.

WILLIAMS SYMONS, JR.
Commissioner *

WILLIAM SYMONS, JR., *Commissioner*—Appointed to PUC on January 16, 1967; re-appointed January, 1973. . . . Served as President of the Commission from July 2, 1968 to July 1, 1970.

Born in Laws, Inyo County, on October 5, 1913. Was raised and now resides in Bishop. . . . Spent entire life in ranching and cattle business until retirement from ranching in 1961. . . . Held appointive and elective offices from 1948–66 . . . two years as Justice of Peace, eight years as School Board Trustee, 14 years as a County Supervisor, 12 years as a director of the 18th District Agricultural Association and four years as State Senator from the 28th Senatorial District . . . is a member of the Executive Committee and the Committee on Communications of the National Association of Regulatory Utility Commissioners. Served as President of the Western Conference of Public Service Commissioners during past year.

* Term expired on Dec. 31, 1978

Executive Director

JOSEPH E. BODOVITZ
Executive Director

Section 308 of the Public Utilities Code provides that "the commission shall appoint an executive director, who shall hold office during its pleasure. The executive director shall be responsible for the commission's executive and administrative duties and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the commission's jurisdiction."

He assists the commission president and coordinates the operations of the commission to relieve the commission members of administrative detail, requiring the division heads and other employees to report to him concerning their duties and job performance. Excepted from this is the relationship of attorney and client which exists between the General Counsel and the members of the commission.

The executive director prepares and presents the commission's budget to the fiscal officers of the State and to the Legislature. He is further responsible for handling all budgetary and procurement matters relating to personnel, services and materials.

Necessary action is taken by the executive director to require that the duties, responsibilities and assignments of various divisions are accomplished effectively and efficiently; he issues directives to commission employees to achieve those objectives.

He is also responsible for taking the necessary action to ensure that reports required of division heads and other employees are prepared and submitted on time. In addition, he has direct line supervision over the commission's public information program, supervising the work of the information office and the overall program of bringing the work of the commission to public attention.

The executive director is also required to keep a full and true record of all proceedings of the commission, issue all

necessary process, writs, warrants and notices, and perform such other duties as the commission prescribes. The commission may authorize the executive director to dismiss complaints or applications when all parties are in agreement thereto, in accordance with such rules as it may prescribe.

He also administers oaths, certifies to official acts and issues subpoenas for the attendance of witnesses and produces records needed at commission hearings and investigations.

During the past year, a number of organizational changes were instituted, designed to increase the efficiency of the agency, reduce regulatory lag, and meet new problems and requirements that have evolved with changing general conditions.

Among the changes in the commission's organizational structure are:

The creation of a new division combining the Operations and the Finance Divisions into the Revenue Requirements Division. Management Services has been expanded to provide greater ancillary support to the commission. The changes will permit the PUC to be more responsive to rapidly changing needs in the regulatory field in California.

Legal Division

JANICE E. KERR
General Counsel

Legal services to the commission are provided under the direction of Janice E. Kerr, General Counsel. The basic functions of the Legal Division are to provide advice and representation on behalf of the commission and the People of the State of California in all matters having to do with regulation of California utilities. In addition, PUC attorneys represent the commission staff in proceedings before the Public Utilities Commission and represent the commission before federal administrative agencies and federal courts.

To carry out this responsibility, the Legal Division has been divided into four primary sections. These are the Advisory and Appellate Section under Hector Anninos, Deputy General Counsel; the Staff Counsel Sections I and II under the supervision of Assistant General Counsels William N. Foley and Sheldon Rosenthal, respectively, and the Federal Section directed by J. Calvin Simpson, Assistant General Counsel.

Advisory and Appellate Section

The Advisory and Appellate Section is primarily responsible for reviewing petitions for rehearing of commission decisions and defending commission decisions on appeal to the California Supreme Court and the United States Supreme Court. If a decision of the commission is challenged in a petition for rehearing, an attorney from this section will independently review the entire record to determine whether there has been legal error which would necessitate a rehearing.

During the 1978–79 fiscal year, the number of petitions considered for rehearing was as follows:

Petitions for Rehearing Filed:	119
Granted or Denied:	105
Dismissed:	2
Pending:	12

If the commission denies rehearing, and the aggrieved party files a petition in the California Supreme Court for a writ of review or mandamus, a member of this section will defend the commission's action before that court, and as necessary, before the U.S. Supreme Court. During the past fiscal year the following Petitions for Writs were received and acted upon:

Petitions for Writs of Review or Mandamus Filed:	41
Petitions Granted or Denied:	29
Petitions Pending:	13

In addition to its appellate functions, this section advises the commission, the commission staff, and the general public on all legal matters pertaining to the commission. The advisory section also responds to legal inquiries from state officials and agencies, and private attorneys.

During the past fiscal year, this section drafted approximately 264 informal legal opinion letters and memoranda, and wrote approximately 276 letters in response to inquiries from the public. Other duties of this section include review of the bi-weekly agenda of Commission opinions.

Staff Counsel Section I

The primary assignment of Staff Counsel Section I is to meet the urgent demand for more rapid resolution of major rate proceedings in accordance with Commission Resolution No. A-4693, adopted on July 6, 1977, which established an expedited rate procedure (Regulatory Lag Plan) for the major gas, electric, and telephone utilities. Under the plan, two attorneys are assigned to each major rate case, if personnel availability permits.

Major rate applications of Pacific Gas and Electric, Southern California Gas, Southern California Edison and San Diego Gas and Electric were processed and decided under this procedure during 1978–79. In addition, hearings in another major rate proceeding involving Pacific Telephone were completed and decision issued July 31, 1979.

"Notices of Intent" to file major rate applications have been submitted by General Telephone and Southern California Gas during the first half of 1979.

This section also represents the commission in matters before all other state agencies. Of particular prominence is its work with the California Energy Commission regarding the siting of new electric utility generating facilities. This effort requires both commission representation in formal matters and informal coordination of policy and planning at the staff level. Of particular significance during the 1978–79 fiscal year has been the staff's presentation of engineer and finance staff witnesses in proceedings initiated by Pacific Gas and Electric for approval to construct a large combined cycle electric powerplant. Participation has also been undertaken in several smaller powerplant proceedings before this agency.

Lawyers on the liquefied natural gas team are a part of Staff Counsel Section I. They are responsible for presenting the staff position in the several proceedings concerned with the need, location and safety of a major liquefaction plant on the California coast. This has involved proceedings before courts, the commission, and other state and local bodies. An interim decision conditionally approving an LNG site was issued by the commission on July 31, 1978.

Section I also represents the commission before the Legislature. Attorneys are constantly appearing before various committees to present the commission's views on pending legislation and answer questions about commission policy. Major legislative subjects during the current fiscal year have included legislative proposals to deregulate some utility and transportation company activities presently under the commission's jurisdiction and a joint legislative committee study into possible reorganization of State agencies involved with energy related subjects.

Subpoenas to commission employees or for commission records are channeled to this section. This activity may require court appearances. Also, requests for documents under the Public Records Act are referred to this section for opinions.

Staff Counsel Section II

Staff Counsel Section II handles hearings other than general rate proceedings of major utilities. Thus, it is responsible for all certificate, service, and complaint matters, and all hearing work involving transportation, financing, or water.

To the extent that there are special procedures for rate adjustments for the major energy utilities, these would be assigned to Section II. These proceedings are basically fuel cost offset matters and exploration and development offsets.

Environmental work is a major function of Section II since some environmental inquiry is involved in every certificate matter. This is particularly true in energy cases, where new sources of power are being examined. Solar and geothermal activity have been increasing, as have applications for construction of electric plants outside of California and associated transmission lines.

The commission's efforts at re-regulation of the trucking industry have been spearheaded by lawyers from Section II. The first of these decisions has already been reached. Many days of hearings were consumed in this effort.

Problems regarding Yellow Page telephone directories were tried by lawyers in this section, as were matters pertaining to the San Francisco Bay Area Rapid Transit District and commuter railroad services.

Many of the internal management functions of the Legal Division are under the supervision of this section. These include personnel functions, budget planning, equipment acquisition and draft review of some Commission decisions.

Federal Agencies Section

The Federal Agencies Section represents the commission before federal administrative agencies. Continuing efforts by the federal government to cope with energy, transportation and communications problems have required extensive participation by the commission in various government forums.

During the past year the section's primary efforts have been before the Federal Energy Regulatory Commission (FERC), a division of the Department of Energy. The PUC has also participated in proceedings before the Economic Regulatory Commission of the Department of Energy (ERA), Civil Aeronautics Board, Nuclear Regulatory Commission, Federal Communications Commission and Interstate Commerce Commission.

Attorneys from this Section represent the PUC in federal appellate court proceedings stemming from federal agencies litigation and present the commission's position on federal legislation. Commission attorneys have proposed changes in legislation pending before Congress, particularly with reference to regulatory reform in the energy, airline and communication fields.

Energy Proceedings

First, in the matter of natural gas supply, several important issues concerning the Alaskan pipeline are still pending before FERC at the present time. The basic pipeline proposal, including construction of a western leg to transport gas directly to California, was approved by President Carter during the latter part of 1977. Such issues as financing, gas supply and pipeline routings are currently under consideration.

Texaco, Inc. v. *FERC,* U.S. Court of Appeals for the Fifth Circuit, No. 79-1791, is a continuation of *California* v. *Southland Royalty Co., et al.,* which the commission won in the United States Supreme Court in 1978. The court held that a gas producer may not, without FERC approval, abandon an interstate sale of natural gas upon the expiration of an underlying lease. In the current proceedng, Southland argues that the Natural Gas Policy Act of 1978 reversed the Supreme Court decision and removed the subject gas from FERC jurisdiction. Leases providing 30 million cubic feet of gas per day are involved of which California receives 70 percent.

A case with a long history of participation by the PUC before the federal courts has now moved to the FERC where a favorable initial decision has been issued determining that certain overriding royalty payments to gas producers are jurisdictional. This litigation is far from completed and, if successful, should result in substantial refunds and rate reductions.

The Federal Agencies Section is also participating in proceedings to bring liquefied natural gas (LNG) to California. Applications filed with FERC and with the ERA by Western LNG Terminal Associates and Western LNG Terminal Company to construct an LNG Terminal and regasification facilities at Point Conception, near Santa Barbara, California, are still in progress. Hearings have been held in California. The commission has filed initial and reply briefs on environmental issues. A related PUC decision on terminal siting was issued on July 31, 1978. The combined LNG project is expected to accommodate gas imports of Pacific Indonesia LNG Company and Pacific Alaska LNG Company amounting to up to 900 million cubic feet per day of gas.

The commission has been active in cases involving the curtailment plan applicable to the El Paso Pipeline system in the face of challenges brought by El Paso's east of California customers that would adversely affect California's supplies under the plan.

Hearings concluded in fiscal 1977–78 on an application by El Paso Eastern Company to import LNG from Algeria. The ERA rejected a related application for an impermit in early 1979. However, a commission petition for rehearing was granted and the parties are awaiting the opening of new hearings.

The commission intervened in an FERC proceeding whereby Pacific Interstate Transmission Co. proposed to sell up to 101 Bcf of natural gas from Canada via Michigan to Pacific Lighting Service Co. Deliveries were to take place during 1978–1981, subject to payback in 1982–1987. Staff considered the terms and conditions of this transaction to be unduly burdensome. The application was ultimately withdrawn.

The commission has also intervened in a FERC proceeding whereby Pacific Lighting Corporation proposes to construct a pipeline from offshore California in the Santa Barbara Channel to bring 30 million cubic feet per day of gas from the Hondo fields into California. Hearings are expected to be set in this matter in the near future.

With reference to the matter of natural gas prices, two significant rate increase applications were heard that directly affect California customers. Commission attorneys were active in both cases. A general rate increase proceeding initiated by El Paso Natural Gas Company arose from an application for an increase of $168 million per year in rates. Of this amount, $110 million of the increase relates to royalty and production tax expense due to increased gas prices resulting from the enactment of the Natural Gas Policy Act of 1978 (NGPA). The remaining $58 million concerns increases in capital and other costs.

Settlement negotiations conducted in March, April and May, 1979, culminated in a 8.63 cents per Mcf reduction from the proposed 17.22 cents charge, for a new average system rate of $1.8461 per Mcf. Rates to California were reduced from a proposed $139 million to a net increase of $69.3 million. The proposed settlement has been filed for approval with FERC. A hearing on outstanding tax issues has been scheduled.

In the other case affecting Transwestern Pipeline Company, numerous settlement conferences were held in early 1979, resulting in a tentative settlement at substantially lower rates than the $18.2 million increase originally sought. Hearings on reserved issues have been set.

Two other major rate proceedings involving Transwestern Pipeline Company were already in process at the beginning of the fiscal year. In one of these proceedings the proposed increase was for $33.2 million per year. In December 1977, the administrative law judge issued an initial decision which involved additional annual savings of $8.5 million per year and a further one-time saving of $9.5 million. Briefs and reply briefs were filed in early 1978. The final decision, in July 1979, was favorable to the PUC on all issues. In the second application for increases amounting to $39.2 million annually, a partial settlement involving savings of about $7.2 million per year was submitted for FERC approval with certain issues on taxes, research and development still to be resolved. The FERC has yet to act on the proposed settlement.

Other energy proceedings include an FERC rate filing by San Diego Gas & Electric Company in connection with a three-way power sale agreement under which SDG&E will have access to research and operational data with respect to ongoing geothermal power generation in the Imperial Valley, California; an FERC proceeding to determine whether tracts for flowing gas become eligible for NGPA prices by virtue of escalator clauses contained in such contracts; and an appliction to ERA, by SDG&E, for a Presidential Permit to establish a 230KV line and interconnection with the system of Comisión Federal de Elec-

tricida de Mexico at the international border with Mexico near Tijuana. This project is intended to provide backup reliability to the two utilities' systems. The ERA and PUC propose to conduct a joint environmental impact study in connection with this project to satisfy both the National Evironmental Protection Act and the California Environmental Quality Act.

Other Proceedings

Attorneys of the Federal Agencies Section participated in several proceedings before the Civil Aeronautics Board dealing with the relaxing of regulatory controls over interstate airline rates and services. In a CAB proceeding on fare structures, the commission supported greater flexibility to allow carriers to offer low fares but resisted removal of regulatory supervision over fare increases. The final order in this case incorporated several commission suggestions. In a number of air service investigations, the PUC supported improved service at Oakland Airport, low-fare transcontinental scheduled service to the San Francisco and Los Angeles areas by World Airways, and the granting of interstate authority to PSA and Air California to serve Reno and Las Vegas, but opposed the granting of long haul authority to PSA and opposed the granting of unused operating authority in general. In these cases, the CAB granted nearly all of the authority applied for and adopted a policy of multiple permissive authority in the Oakland service case.

Also, in a series of cases affecting PSA and AirCal, the commission strongly opposed CAB efforts to drive up intrastate fares to interstate levels and opposed removal of operating restrictions from PSA's and AirCal's certificates, meeting success on the latter issue but the former is still in doubt.

In two other important proceedings, the CAB is engaged in establishing essential levels of air service with respect to communities eligible for such service under the Airline Deregulation Act of 1978.

By this Act, Congress effected a major revision of the Federal Aviation Act of 1958. Although in the main placing reliance on competitive market forces to provide air transportation, Congress sought to guarantee that certain eligible communities will receive at least essential levels of air service.

The PUC has submitted comments to the CAB and has assisted communities in California eligible for guaranteed service to prepare their responses to the CAB. Final determinations as to essential air service are due this fall but several California cities have received interim protection.

Two petitions for injunctive relief have been filed against the commission alleging that California is preempted from air carrier regulation by the Airline Deregulation Act of 1978. *Hughes Air Corporation v.* California Public Utilities Commission (U.S. District Court, N.D. Cal.), relates to jurisdiction over interstate carriers; *Sierra Flite Service* v. *California Public Utilities Commission* (U.S. District Court, N.D. Cal.), relates to intrastate commuter carriers. The commission lost in the U.S. District Court in each of these cases. Both are currently on appeal.

The PUC is actively engaged in proceeding before the Nuclear Regulatory Commission on applications by California utilities and cities for authority to construct nuclear power plants in Arizona which will serve California.

With respect to rail transportation, commission attorneys and staff participated in extensive hearings before the Interstate Commerce Commission concerning two applications by Southern Pacific Transporation Company, viz., SP's application to discontinue passenger train service between San Francisco and San Jose, and the application by SP's subsidiary, San Diego & Arizona Eastern Railway Company, to abandon most of its lines and services in San Diego and Imperial Counties. Commission witnesses testified and briefs were filed in these cases. The administrative law judge in the first case has recommended that the application to abandon be granted. The second application was denied. San Diego Metropolitan Transit Development Board is now seeking ICC approval to acquire SD&AE's right of way for the development of a light rail line between San Diego and the international border at San Ysidro, California.

Division of Administrative Law Judges

IRA R. ALDERSON, JR.
Chief Administrative Law Judge

The commission is an administrative agency with legislative, judicial and police powers to regulate privately-owned utilities and transportation companies. The Division of Administrative Law Judges, together with the five Commissioners, is responsible for discharging the judicial functions conferred upon the commission by the California Constitution and statutes.

There are three types of formal matters which come before the commission—applications, complaints, and orders of investigation. The first two are filed by persons or organizations seeking specific relief, while the third is instituted by the commission on its own motion to investigate or inquire into a situation which may require remedial action. Each formal filing is assigned to a Commissioner and an Administrative Law Judge, who then becomes responsible for the progress of the matter through the hearing and decision processes until a determinative opinion and order is signed by a majority of the commission.

Formal filings which require public hearing are heard by the Commissioner and ALJ to whom they are assigned or by the ALJ sitting alone. Because of the hundreds of such filings received each year, it is obviously impossible for a Commissioner to preside at each hearing, if other duties are to be conducted efficiently and decisions are to be reached with reasonable expedition.

Many formal matters filed do not require hearing because they are uncomplicated and uncontested. Nevertheless, a decision thereon must be prepared by an ALJ after review of the record for consideration by the full commission. It is apparent, therefore, that ALJs are essential for the proper disposition of the PUC's judicial functions.

It is the responsibility of the Chief Administrative Law Judge and the Assistant Chief Administrative Law Judge to recommend assignments of formal filings to ALJs and to review all of their proposed decisions for organization, content, consistency, uniformity, legal accuracy and adherence to established policy.

Administrative Law Judges, in the conduct of public hearings, are required to advise parties as to their rights; swear in and examine witnesses; issue subpoenas; receive testimony, documentary and other evidence; rule on objections, motions, and the admissibility of evidence; hear oral arguments; appraise briefs; analyze pleadings and evaluate facts and law.

Procedural changes include implementation of a new program to reduce regulatory lag in processing major rate cases, and the Expedited Complaint Procedure whereby persons who seek an amount of $750., or less can have their cases decided within 60 days from filing.

The Division consists of the Chief Administrative Law Judge, the Assistant Chief, the Administrative Law Judge in charge of the Los Angeles office, and 27 Administrative Law Judges. Of the total of 31, 16 are lawyers, 6 are engineers, 5 are transportation experts, and one is a certified public accountant.

The Docket, Calendar Clerk and Process Offices perform vital functions in the processing of formal matters filed with and issued by the Commission. After a preliminary review, Docket records and processes formal matters. The following is a breakdown of matters in three classifications:

Initial Filings:

Applications	777
Orders Instituting Investigation	35
Formal Complaints	138
Orders Setting Hearings	1
Petitions For Modification—Transportation Rate	103
	1054

Subsequent Petitions Include:

Petitions For Rehearing	6043 *
Petitions For Modification of a Decision	84
Petitions to Reopen Proceedings	33
Miscellaneous Petitions	77
	6237

Miscellaneous Filings:

Briefs, Motions, etc	3889
Grand Total	11,180

* unusual number of filings due to D89575 (de-regulation of truckers)

The Calendar Clerk set 410 hearings involving 577 matters; reset 84 hearings involving 129 matters; removed and temporarily removed 64 hearings involving 72 matters, from the calendar.

The Process Office mailed and distributed 83,700 copies of decisions and orders. In addition, 6,370 copies of the Agenda, consisting of a total of approximately 194,000 pages, were mailed and distributed.

The records of the Division of Administrative Law Judges indicate that during this fiscal year the commission issued a total of 1,424 decisions involving a total of 2,070 matters, with 983 days of hearing held.

The following breakdown illustrates the various kinds of formal matters that come before the commission and the number of decisions and orders issued during the fiscal year pertaining to such matters:

UTILITY:

Suspend, Revoke Certificates; Abandon Service, Facilities

Gas	1
Communications	1
Hydraulic	2
	4

Approve Agreements

Hydraulic	1
Multi utility	5
	6

Requests for Certificates

Electric	11
Gas	4
Communications	5
Hydraulic	6
	26

Exemption From or Modification of a Decision

Electric	10
Gas	1
Communications	1
Hydraulic	15
Multi utility	1
	28

Transfer Certificates and Utility Property

Electric	2
Gas	1
Communications	9
Hydraulic	37
	49

Miscellaneous Matters

Electric	2
Communications	2
Hydraulic	3
Multi utility	1
	8

Rates

Electric	10
Gas	9
Communications	11
Hydraulic	34
Multi utility	5
	69

Issue Stock, Securities; Encumber Utility Property

Electric	8
Gas	2
Communications	16
Hydraulic	14
Multi utility	10
	50

Formal Complaints

Electric	29
Gas	11
Communications	105
Hydraulic	34
Multi utility	12
	191

Commission Investigations

Electric	3
Gas	2
Communications	5
Hydraulic	8
Multi utility	13
	31

Petitions for Modification/Rehearing of Decisions; Supplemental and Miscellaneous Orders

Electric	21
Gas	20
Communications	33
Hydraulic	40
Multi utility	32
	146

TOTAL UTILITY	608

TRANSPORTATION:

Suspend, Revoke Certificates; Abandon Service, Facilities

Passenger Stage	2
Vessel	2
Pipeline	1
	5

Approve Agreements

Truck	3
	3

Requests for Certificates

Warehouse	9
Truck	47
Passenger Stage	74
Vessel	5
Airline	21
Pipeline	1
	157

Railroad Grade Crossings	47

Exemption From or Modification of a Decision

Rail	1
Truck	3
Passenger Stage	1
Vessel	1
Miscellaneous	1
	7

Transfer Certificates and Property

Warehouse	9
Truck	60
Passenger Stage	15
Vessel	1
Airline	3
Miscellaneous	2
	90

Miscellaneous Matters

Rail	2
Truck	7
Passenger Stage	3
Airline	1
Miscellaneous	1
	14

Rates and Fares; Deviations

Warehouse	22
Rail	3
Truck	230
Passenger Stage	27
Vessel	5
Airline	16
	303

Issue Stock, Securities; Encumber Property

Warehouse	2
Truck	2
Vessel	1
Airline	1
Miscellaneous	1
	7

Formal Complaints

Rail	2
Passenger Train	1
Passenger Stage	4
Vessel	2
Airlines	2
	11

Commission Investigations

Rail	7
Passenger Train	2
Truck	6
Miscellaneous	1
	16

Petitions for Modification/Rehearing of Decisions; Supplemental and Miscellaneous Orders

Warehouse	1
Rail	17
Passenger Train	3
Truck	88
Passenger Stage	33
Vessel	2
Airline	11
Pipeline	1
	156
TOTAL TRANSPORTATION	816
GRAND TOTAL	1,424 *

* The figure of 1,424 decisions actually involves a total of 2,070 matters due to the consolidation of applications, cases, and orders instituting investigation.

Management Services Division

HERBERT L. FARMER
Assistant Executive Director

The Management Services Division supports the commission as a whole by providing services essential for its daily operation. Additionally, it carries out a number of statutory functions required by the Public Utilities Code.

Among the most important programs ordered by the division are those concerned with Administrative Services, Data Processing, Personnel, Employee Training and Development, Fiscal Operations and Consumer Affairs.

Administrative Services Branch

As an integral part of the division, the branch is responsible for a wide variety of staff functions ranging from general organizational administration to business services and management systems analysis.

Training Office

The Training Office plans and develops training programs for the commission employees at all levels. In addition to continued emphasis on technical and professional development training, communication skills and management development, programs in a number of other areas have been developed and improved. These include training in becoming an expert witness; accounting for attorneys, engineers, transportation specialists; ratemaking; organizational development; and supervisory training.

Since the beginning of the year, a Training Committee has been organized with representatives from each division. One of the key objectives of this committee was to identify the specific training needs of the commission. Divisional in-service training information is now being

disseminated by its committee members to other interested personnel within the commission.

In addition to the training efforts, the commission has undertaken to develop and implement a meaningful affirmative action program.

Management Analysis Group

The group is responsible for work simplification/methods control, informational systems development, records management, feasibility studies, and related management matters.

Word Processing Services Center

Utilizing the word processing concept the center is undertaking a centralized clerical support function for all of the divisions. Beginning November 1978 to the end of the 1978–79 fiscal year a total of 2,661 separate jobs were completed by the center. Because of the center, necessary clerical support functions are being maintained with reduced staffing.

Delineator Group

The Delineators create and produce a variety of complex charts, graphs, and illustrations displaying a multitude of engineering principles and other details which are used in staff reports and exhibits.

Data Processing Branch

The 1978–79 fiscal year has been a period of conversion for the Data Processing Branch. Several upgrades to the in-house Burroughs mini-computer were accomplished during the year; program and system conversion from the service bureau vendor to the new configuration proceeded on schedule; and several simulation and modeling packages were installed in the mini-computer.

As the branch strives to keep pace with the computing requirements of the commission, the Burroughs mini-computer, installed in December 1977, has undergone a continual upgrading process. During the year the main memory has doubled to 256,000 bytes, another tape drive has been installed, printer speed has been increased, a Tektronix plotter has been acquired, and a CRT terminal has been placed in the user room. In addition a dial-up printing terminal has been installed in the Los Angeles office.

So far as program and system conversions are concerned, over one-half of the 400 programs which remained after last year have now been converted to the in-house system. Virtually all new applications are being written for the Burroughs system. Many of the new applications are being written for use in an interactive environment.

In addition to new systems designed and written by branch personnel, the commission and the branch are pursuing the policy of acquiring existing software packages whenever feasible. Some of the software packages recently obtained are CARS-3, a computer audit and retrieval system; Box-Jenkins, a statistical modeling routine; and RAM, a regulatory analysis modeling system. These packages have been, or are being, installed on the in-house equipment. Commission staff is also continuing to make use of IFPS, the interactive financial planning system, through the link with Control Data Corporation.

The branch has continued its training program for data processing personnel. In addition, the branch has conducted user training sessions including a two-day seminar in Los Angeles for commission employees there who will be using the dial-up printing terminal.

Manpower Services and Resources Branch

This branch assures the smooth and efficient handling of personnel transactions, employee benefits, personnel management and fiscal operations.

Personnel Unit

The unit classifies positions subject to audit by the State Personnel Board; provides interpretation of laws, rules and policies in the personnel field; counsels with employees in regard to classification, examination, and personnel problems and grievances; coordinates examination scheduling and administers delegated testing program.

Transactions Unit

The unit administers personnel transactions and attendance reporting program; coordinates health benefits, insurance, retirement and deferred compensation programs, maintains position control system; administers employees health, accident and disability insurance programs; and maintains personnel records.

Fiscal Office

This office prepares and administers the annual budget, prepares financial statements and reports, collects and deposits all cash receipts and provides accounting services to the staff of the commission.

Additionally, the office reviews and identifies the fiscal impact of proposed legislation and provides the liaison with the Department of Finance, State Controller and other agencies responsible for establishing and regulating the financial operation of the State.

Business Services Section

The section processes commission mail; processes the printing and mailing of minimum rate decisions to all highway carriers; provides for the internal mail/messenger services; arranges for the purchases and distribution of supplies and equipment; maintains the central (formal) files; controls the property and property inventory; provides staffing support for the Executive Area Receptionist Desk; and handles the commission document sales function whch totaled approximately $11,000 during the 1978/79 fiscal year. In addition, the section is responsible for the extensive in-house reproduction services as reflected by the following statistics:

REPRODUCTION STATISTICS
Fiscal Year 78/79

Month	Year	JOBS Model X-9400	JOBS Model KD150AF	JOBS Model AM4250	ORIGINALS Model X-9400	ORIGINALS Model KD150AF	ORIGINALS Model AM4250	COPIES Model X-9400	COPIES Model KD150AF	COPIES Model AM4250	TOTALS Jobs	TOTALS Originals	TOTALS Copies
July	78	–	1149	278	–	20929	1807	–	466118	331014	1427	22736	797132
Aug	78	–	1200	194	–	17669	972	–	417787	241823	1394	18641	659610
Sept	78	369	838	76	7738	13397	320	302976	233492	81228	1283	21455	617696
Oct	78	673	474	194	16607	6675	914	340316	240335	175126	1341	24196	756777
Nov	78	468	513	243	11364	8991	1364	219213	153379	172132	1224	21719	544724
Dec	78	470	535	216	11926	8599	736	327762	173660	161886	1221	21261	663308
Jan	79	533	575	215	11598	9497	810	270552	179378	233431	1323	21905	683361
Feb	79	498	548	225	11755	9746	857	329182	163142	179160	1271	22358	671484
Mar	79	474	634	165	11620	10231	555	254863	198714	126545	1273	22406	580122
Apr	79	460	583	111	11023	7711	231	251255	189758	95354	1154	18965	536367
May	79	393	799	181	10643	13373	532	364140	249919	175955	1373	24548	790014
Jun	79	416	743	153	12856	10922	345	396041	233683	166406	1312	24123	796130
													8095725 (See Note)

NOTE.—Does not include the following:

	Total Copies
11 Office copiers located at S.F. Headquarters	1,997,580
2 Office copiers located at Los Angeles	184,358
8 Office copiers located at Area & District offices	204,122
1 Model X-3800 located at Los Angeles	1,028,554
	3,394,594

Consumer Affairs Branch

The Consumer Affairs Branch was formed December 2, 1976. This was the second full year of operation. This branch is responsible for resolving information complaints and answering inquiries from consumers with regard to utility and transportation matters.

Units of the Consumer Affairs Branch are located in San Francisco and Los Angeles. Each consists of expert consultants in transportation and utility matters with necessary clerical support and supervisory personnel.

During the 1978–79 fiscal year, the branch received 19,008 informal complaints and 14,232 public inquiries relating to utility matters, resulting in adjustments to customers of $364,326.45.

Transportation complaints numbered 1,407 which resulted in adjustments to customers totalling $137,921.48. Transportation inquiries handled totaled 14,249.

As a result of budget and personnel limitations, three major utilities—Pacific Telephone, General Telephone and Pacific Gas and Electric—were connected to the state centrex system during the year. An additional 13,549 appeals, which would otherwise have been part of the branch workload, were thus transferred to the executive offices of these companies.

A full tabulation of the complaints and inquiries for the branch is listed below.

Management Services Division—Consumer Affairs Branch

UTILITIES 1978–79

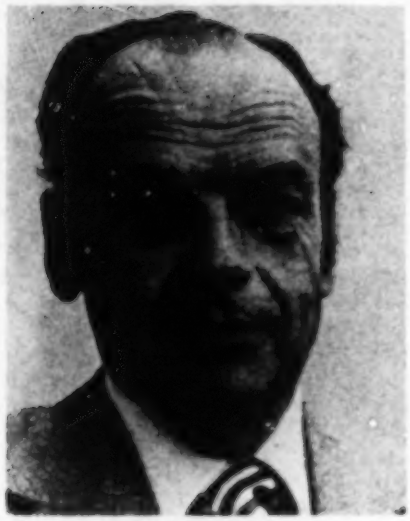
	Complaints N. Calif.	Complaints S. Calif.	Complaints Total	Inquiries N. Calif.	Inquiries S. Calif.	Inquiries Total	Case Total	Adjustments to Customers
COMMUNICATIONS	3,285	6,938	10,223	3,153	4,004	7,157	17,380	$287,497.50
ELECTRIC	2,162	2,326	4,488	1,803	1,745	3,548	8,036	55,964.20
GAS	1,195	1,789	2,984	599	1,308	1,907	4,891	14,061.30
WATER	456	683	1,139	345	346	691	1,830	6,689.80
OTHER	154	20	174	386	543	929	1,103	113.65
TOTALS	7,252	11,756	19,008	6,286	7,946	14,232	33,240	$364,326.45

Total cases handled in Northern California 13,538. Adjustments $108,155.80
Total cases handled in Southern California 19,702. Adjustments $256,170.65

TRANSPORTATION 1978–79

	N. Calif. Complaints	S. Calif. Complaints	Total	Consumer Adjustments N. Calif.	Consumer Adjustments S. Calif.	Consumer Adjustments Total
Air Carriers	124	37	161	$2,193.50	$1,724.70	$3,918.20
Bus Carriers	116	19	135	1,070.01	–	1,070.01
Household Goods	277	780	1,057	45,637.43	86,326.10	131,963.53
General Freight	26	11	37	450.63	65.00	515.63
Miscellaneous	16	1	17	–	–	–
Total	559	848	1,407	$49,351.57	$88,115.80	$137,467.37
Inquiries	2,141	12,108	14,249			

Southern California



GEORGE CATES
Assistant Executive Director

The Southern California office handles most of the staff work on applications and complaints, both formal and informal, of utilities and utility users in nine southern counties. Headquartered in Los Angeles, the staff of about 150 serves over half the state's population.

The Assistant Executive Director heads the office and is primarily responsible for communication between the Southern California staff, the general public, governmental figures, utility companies, civic, consumer, and environmental organizations, as well as the commissioners and the headquarters staff.

Activities carried out by the Southern California staff during 1978–79 include:

Administrative Law Judges

The six ALJ's in Los Angeles prepared more than 100 draft decisions for the consideration of the commission. These drafts encompassed the entire spectrum of utility regulatory matters and, except for *ex parte* decisions, were based on evidentiary records developed at 377 days of public hearings in Southern California.

During the late part of the fiscal year, many public hearings that would have been scheduled in outlying areas were held in Los Angeles to save traveling expenses in conformance with economic restraints caused by the passage of Proposition 13.

Communications

The staff continued its surveillance of General Telephone's operations; investigated the possibility of deregulating classified advertising; continued to monitor service indices of General and Continental, as well as Pacific's Southern California area; reviewed new tariff proposals, and investigated service complaints about complex communications problems.

In April, 1979, General filed notice of its intent to apply for a rate increase of $80 million. At the end of the fiscal year, the staff and the utility were still working on matters related to service quality and the level of maintenance, traffic, and commercial expenses.

Compliance and Enforcement

The year 1978–79 saw the completion of decentralization from the Los Angeles area with the opening of new district offices in El Monte, Downey, and Panorama City. The localization has resulted in better coverage and service to more than 4,000 licensed carriers located in six counties.

Over 1,750 surveys of carrier operations were conducted during the year. More than 30,000 inquiries were received concerning Senate Bill 860 on reregulation, permit conversions, and new operating authority. The offices processed 2,355 permit applications while also handling over 12,000 rate and tariff questions.

$396,723 was collected in payment for permit applications, tariff orders, quarterly fees, voluntary permit suspensions, and fines. 476 complaints were processed covering cases such as failure to make C.O.D. payments, or to pay subhaulers; operating without proper authority; not charging the proper rate, and failure to render service as required by the carrier's operating authority.

Consumer Affairs Branch

The Los Angeles staff handled 11,756 of the 19,008 utility complaints filed statewide and 7,946 of the 14,232 utility inquiries received by staff throughout the state.

An additional 7,392 inquiries were received and referred directly to utility management for disposition.

In transportation, Los Angeles handled 848 cases and 12,108 inquiries, returning $88,569.91 to complaining customers.

Electric

The staff was responsible for rate design on Southern California Edison's application for a $316 million increase and San Diego Gas & Electric's request for $88 million.

Studies were conducted to establish air conditioning zones for extra summer lifeline allowances and to consolidate domestic density zones. Work was also done on inverted rate design and revenue stabilization for Edison.

Major work was completed on establishing the Energy Cost Adjustment Clause for Edison.

Studies were also completed on Edison's request for a rate increase on Santa Catalina Island, the first general rate increase requested by the utility since acquisition of the system in October, 1962.

Finance

During 1978–79, the Los Angeles branch increased its regulatory responsibility into such areas as rate of return, supply adjustment mechanism, the tax cost adjustment clause, and intrastate airline studies.

The office continues to perform its function of handling major utility rate cases, regulation of small water utilities, rate fund audits, and various utility balancing accounts.

The Los Angeles office also serves as home base of the LNG cost monitoring unit.

Freight Economics—Cost

Studies were prepared and evidence submitted on costs for shipping empty glass containers, empty metal cans, and fibreboard containers, for which the commission signed decisions during the year.

Cost studies were completed for transportation of uncrated new furniture.

Also completed was preparation of cronoflex maps for revision of 50 miles of new freeway network and 108 miles of city streets to reflect current traffic operating conditions in the seven-county Los Angeles Core Area Dump Truck Computer Network.

The staff has been preparing Phase II zone maps for the computer runout network for the Santa Maria Area Dump Truck Zones.

Evidence was introduced in hearings for an increase in rates for the transportation of fresh or green fruits and vegetables statewide.

Freight Economics—Rates

A recommendation of the Little Hoover Commission made in 1974 was implemented by Senate Bill 860, which eliminated the radial highway carrier classification and gave such carriers the opportunity to become highway common carriers or highway contract carriers or both.

A second recommendation—to eliminate minimum rates—has been the subject of many days of hearings at which the staff participated.

On May 22, the PUC issued a decision to reregulate the tank truck industry, whereby minimum rates will be eliminated on January 31, 1980.

The staff vigorously opposed an increase in dump truck rates, taking the position that no increases were allowable under the President's wage and price stability guidelines.

Gas

Rate designs were prepared on both general rate increase applications and offset requests for Southern California Gas and San Diego Gas & Electric.

Inspections were made for gas leaks and other safety measures along pipelines of Southern California Gas, and utility records were examined for maintenance and safety programs. Pressure tests on new or upgraded pipelines were also observed by the staff.

Analysis and processing was done on engineering and safety issues involved in certain informal complaints.

Information

Nearly 200 press releases were issued to over 500 newspapers, radio and television stations, and magazines. About 1,000 inquiries were handled, including requests for television and radio appearances and development of feature stories. Other information requests were processed from consumer, environmental, and senior citizen groups, legislative aides, students, and Southern California utilities. The office also coordinated the Speakers' Bureau activities for Southern California.

Load Management

In accordance with a 1976 commission directive, second tier Time-of-Use rates (TOU) were placed into effect for customers with demands above 1,000 kW on the Southern California Edison and San Diego Gas & Electric system, and are in final stages of approval for Pacific Gas & Electric. (First tier customers—with demands between 4,000 kW and 5,000 kW—have been using TOU rates for two to three years now.)

Analysis by the staff showed that response has been small but significant, concluding that for the PG&E and SDG & E systems, the program is cost effective—and by a considerable margin for the latter.

Six Electric Utility Demonstration Projects (EUDP) involving about 2,000 voluntary commercial and large residential customers are either in progress or waiting equipment deliveries.

Operations

The staff processed eight formal rate increase applications and 38 offset rate increases for water companies and took the lead role in staff participation of seven rate increase applications for various gas, electric, and water districts of CP National Corporation.

Passenger Operations

The staff processed 70 applications for new bus routes, extensions of old ones, and fare increases.

Competition became more keen as Trailways filed for routes which were previously exclusives of Greyhound, and rival routes were sought for sightseeing tours and home-to-work commuter services. An unprecedented nine applications were made for "Class B" charter-party authority.

During the spring fuel crisis home-to-work buses filled to capacity on some routes and created a need for waiting lists. New commuter services were authorized in Los Angeles, Orange, San Diego, and Ventura Counties.

Similar growth occurred in shuttle services to major metropolitan airports. Los Angeles International is now served by two demand-responsive operations which offer an alternative to fixed route operations. Service was also resumed by Airport Service along the old routes once served by Airportransit and recently served by the Southern California Rapid Transit District. The SCRTD had taken over the routes when Airportransit ceased operations late in 1976.

Railroad Operations and Safety

Surveys along 346 miles of railroad track from Fresno to the Mexican border and from Los Angeles to the Arizona-Nevada line uncovered 1,356 items at variance with PUC general orders on clearances and walkways. 160 informal complaints were processed on blocked train crossing and unsafe operating conditions.

Investigations of major derailments were carried out, as well as observations of efficiency testing for railroad operations. A monitoring program also oversaw construction at railroad crossings and grade separations for compliance with PUC general orders.

Traffic Engineering

During the year, 1976, railroad crossings in 10 Southern California counties were surveyed for safety by the staff, and 118 meetings were held with city, county, and state agencies and various railroads to review changes in protection or to review plans for new crossings. The staff also processed 30 formal applications for new construction, including participation in nine days of public hearings on the applications.

Although there is a trend decreasing the number of train-vehicle collisions, the staff was nonetheless involved in examining the facts concerning 36 serious or fatal collisions during the year.

Considerable staff time was also devoted to assisting the San Diego Metropolitan Transit Development Board, which is designing a light rail transit system to operate from the Mexican border to the Amtrak Station in downtown San Diego using the track and right-of-way of the San Diego and Arizona Eastern Railway Company.

Revenue Requirements Division

BRUNO A. DAVIS
Director

Effective July 1, 1979, a basic reorganization of the PUC staff combined both the Operations Division and the Finance Division into the new Revenue Requirements Division.

For the purposes of this report, since it covers the activities of the 1978–79 fiscal year, the reports of each of the divisions will be made separately, covering their respective activities during the past year.

The Operations Division was responsible for regulation of utility rates including general rate increases to improve earnings, offset proceedings, and review of various revenues and expenditures having significant effect on utility's earnings for the 28 major California privately owned communications, electric, gas, steam heat, and water utilities.

For the year 1978 these utilities served 25 million customers, collected $13 billion in gross revenues, and had $32 billion in gross plant devoted to public utilities operations.

Commission functional and organizational guidelines defined the primary role of the Operations Division as responsibility for the preparation and presentation of the Results of Operations reports in major rate cases.

During 1978–79, the professional staff of the Operations Division participated as expert witnesses for hearings in three major utility general rate increase cases and commenced research with respect to three major utilities' Notice of Intention (NOI). In addition, division staff prepared exhibits and testified on the operations of two medium-sized utilities, one of which filed for rate increases in each of its eleven districts. The water utilities group of the Operations Division processed 11 original and 13 amended applications as well as analyzed and prepared recommendations for 32 water companies advice letters.

The Operations Division is the central coordination unit in the commission's proposal to reduce regulatory lag. Coordination is carried out by the division's assigned project manager who is responsible for approving the acceptance for filing of a utility's NOI for a rate increase application and also to ensure that the processing of the rate application is completed in an efficient and an expeditious manner consistent with the commission's Regulatory Lag Plan.

The division is organized on a team concept of four project groups: gas, electric, communications, and water utilities and two general units, a depreciation unit and an economics unit.

Each group consists of three teams assigned to specific utilities or to depreciation and economic studies. Each project group is assigned to continuously monitor its particular utilities, conduct productivity, efficiency, and econometric studies, perform engineering operational audits, and provide witnesses and support as necessary for utility rate cases.

Commencing July 1, 1979, the Operations Division will be consolidated with the current Finance Division to form the Revenue Requirements Division. The purpose of this reorganization is to improve the coordination between the three disciplines of professional staff, to eliminate areas of potential duplication, and to provide a more comprehensive and unified analysis of utility operations and applicant's financial position in the regulatory process. The new division's staff will be assigned to financial analysis, engineering analysis, and economic analysis functions. Each will contribute its expertise to a more coordinated effort in the preparation and presentation testimony before the commission.

Tax Analyses and Related Rate Reductions

OII-19 and OII-33 are respectively investigations into the effect of the addition of Article XIII-A (a direct result of the Jarvis-Gann Tax Initiative) to the Constitution of the State of California and the effect of the enactment of the Revenue Act of 1978 on the rates of the California public utilities. The Operations Division was a moving party in all phases of both of these commission instigated investigations which resulted in significant savings to rate payers.

OII-19 efforts included an analysis of the savings accruing to each of the major energy, telephone and water public utilities as a result of lower ad valorem taxes on all property and the restrictions placed on the future growth of assessed values of such properties. Exhibit No. 18 showed a tax savings of $260 million to California public utilities. The PUC ordered in Decision No. 89194 that rates collected would be subject to refund and in Decision

No. 90000 that utilities, which had not already proposed reductions, should file tariffs which would reduce their rates to the extent of the amounts shown in the tax initiative account.

Under the provisions of OII-33, the division evaluated the effects of the Revenue Act of 1978 in reducing federal corporate tax rates from 48 to 46%. The Operations Division staff analyzed savings according to public utilities and concluded that the 1978 Act would result in approximately $33.8 million in savings before any adjustments due to increases in the employer's share of social security (FICA) taxes effective January 1, 1979. By Decision No. 90316, the commission ordered the utilities to file tariffs which would reduce their rates in accordance with amounts shown in Exhibit 1 of the proceeding. An offset to the reductions was permitted for increased employers' social security taxes.

Federal Wage and Price Standards

Wage and Price Guidelines were announced by President Carter on October 24, 1978. The purpose of these guidelines was to curb the current rate of inflation. The established standards for wage and price increases are administered by the Council on Wage and Price Stability.

In support of the President's anti-inflationary guidelines, the PUC adopted Resolution No. M-4704 on January 30, 1979. By this resolution, the commission stated that in the granting of general rate increases, the Council's wage and price standards would be complied with to the fullest extent possible.

The implementation of this resolution requires that all major utilities requesting general rate increases submit an exhibit to accompany the applications to show whether the requested increase complies with the federal voluntary wage and price guidelines.

The Operations Division has participated in all phases of the staff's work with respect to the wage and price standards as they affect public utilities. Operations Division's staff contacted the Council's staff and NARUC shortly after the original guidelines were first promulgated to obtain clarification of the standards regarding their application to public utilities. More recent revisions of the initial regulations were developed in order to accommodate the unique characteristics of utility operations such as the high proportion of fuel cost to total expenses and the nature of the regulatory cycle.

Decision No. 90405 in the matter of San Diego Gas & Electric Company's Application No. 58067 was the first decision wherein the price standards were applied. Pursuant to the regulations of the Council, the Division will file with the Council reports monitoring the performance of each major utility company with respect to its compliance to the guidelines on a quarterly basis.

Solar Energy Systems

The Operations Division began investigations into utility participation in the solar energy industry (OII-13 and OII-42). Analysis was begun on the anti-competitive implications and financing of various utility and PUC proposed programs.

These programs would involve the utilities in promotion of solar water heating. At this time the study is still in its formative stages. Further investigation into the structure of the solar industry, potential consumer demand, potential solar installation supply and a program-by-program analysis is scheduled for the next fiscal year. Hearings were held in June and will be continued in September.

The staff is similarly involved in OII-42, an investigation into low interest, long term financing alternatives of solar energy systems. Proposals under consideration for solar financing include various rate-making treatments such as "rate basing" of all installation costs, low interest loans utilizing federal loan programs, and lease arrangements. Currently, federal law (National Energy Conservation Policies Act) appears to prohibit direct utility financial participation; however, exemptions may be granted by the Department of Energy. Hearings will commence in August under a legislative mandate to present a report on financing methods to the legislature by January 1, 1980.

Regulatory Lag Plan

The Operations Division is charged with the responsibility of managing and coordinating rate proceedings involving the major California utilities. The major objective in establishing the Operations Division was to develop new policies to reduce the time between the filing of an application and the day a final decision is issued. This protracted length of time, known as regulatory lag, has been a major item of concern of the utilities, the Legislature and the PUC.

To expedite these rate proceedings, the commission on July 6, 1977, established a plan, setting forth specific time periods in order to conclude a major rate proceeding within a 12-month period. The plan provides that if a draft decision is not available by 10 months after the filing of the application, a partial rate increase may be authorized.

One of the major objectives of the plan is an attempt to grant appropriate rate increases at the beginning of the test year upon which the rates are based. By this means a utility is allowed a reasonable opportunity to earn its authorized rate of return.

Although the objectives of the plan are applicable to all utilities, the plan specifically names six energy utilities and three telephone companies as being directly involved in the plan. Of these, five energy and two communication companies have by June 30, 1979, filed rate applications that have been processed under the Regulatory Lag Plan.

Having gained experience with the processing of rate applications under the plan, the commission decided to re-examine the Regulatory Lag Plan. Interested parties were invited to suggest modifications and a public hearing on this issue was held on January 19, 1979. Numerous oral and written comments were received from utilities, the commission staff and interested parties who participate in the regulatory process.

By Resolution No. M-4706 dated June 5, 1979, the commission amended the original plan. The most impor-

tant modification was a commitment to a minimum of two years between rate proceedings. This was done in order to recognize the realities of the commission's current staffing. Other changes were made to take advantage of the experience gained under the two years of operation of the plan.

The PUC also recognized that regulatory lag is also a major problem to water utilities. It therefore adopted, by Resolution No. 4705 dated April 24, 1979, a Regulatory Lag Plan for all classes of water utilities. This plan is patterned after that of the major utilities plan. For Class A water utilities, it is designed to produce a commission decision 210 days after an application is filed. For the other classes of water utilities a decision or commission resolution is expected by 180 days after filing of an application.

The following tabulation of the larger utilities shows the commission's progress in meeting the goals established in the plan:

Utility	Date of Filing Application
PG&E Company	9/23/77
So. Cal. Edison Co.	10/ 7/77
So. Cal. Gas Co.	10/28/77
Southwest Gas Corp.	2/ 5/78
San Diego Gas and Electric Company	5/15/78
Pacific Telephone	7/14/78

** Estimated

Status	Days Plan	Days Actual
Hearings Completed	195	201
Decision Issued *	365	346
* Partial Increase Granted 12/20/77		
Hearings Completed	195	227
Decision Issued *	365	424
* Partial Increase Granted 7/25/78		
Hearings Completed	195	196
Decision Issued *	365	410
* Partial Increase Granted 8/8/78		
Hearings Completed	195	184
Decision Issued	365	298
Hearings Completed	195	190
Decision Issued *	365	385
* Partial Increase Granted		
Hearings Completed	195	181
	365	382**

Management Audits

In the general rate Application No. 57284 and 57285 by PG&E, the project manager from the Operations Division suggested, and the commission subsequently directed, a management audit of PG&E conducted by an independent consultant and supervised by the staff. In order to carry out the commission's mandate a Management Audit Committee was established. Representation from all divisions are included with the chairman being from the Operations Division.

Fourteen consultants expressed interest in this challenging assignment. Eleven firms were interviewed and the list narrowed to five. A detailed request for proposal (RFP) was sent to these firms. The RFP requested that the consultant focus on those areas having the greatest potential for cost savings and improvement of customer service. It specifically identified the following areas for detailed investigation:

1. Engineering and construction of major facilities by the General Construction Department, contractors under their supervision, and other activities of the Construction Department with particular attention to crew productivity, project management, cost control, equipment management, construction inspection, safety and construction bid documents.

2. Construction, repair and maintenance activities conducted by division crews, with particular attention to scheduling and dispatching of crews.

3. Operation of electric generating plants, with attention to physical maintenance and dispatching of production.

4. Procurement and handling of materials (excluding fuel) and equipment.

5. Efficiency of operations and level of service provided by Customer Services.

6. An appraisal of PG&E's management and organization, including supervision and communication between the general office and the various field divisions.

Financial and management planning and control systems, including capital and operating budgets.

Representatives from PG&E and the PUC staff on May 24, 1979 held a bidder's conference prior to receipt of the responses to the RFP. The purpose of this conference was to answer questions by the prospective bidders regarding the contents of the RFP.

Written responses to the RFP were received from each of the five firms on June 18, 1979. Additional interviews are scheduled for July 19, and 20. The staff will then recommend a consultant to the commission. After the consultant is chosen by the commission a final agreement will be executed. It is anticipated that the consultant will commence work on September 1, 1979 and require 6 to 8 months to complete the assignment.

The audit is planned as a cooperative undertaking by the commission, PG&E and the successful consulting firm. PG&E has assigned a management employee to this

project on a full time basis. PG&E will initially bear the cost of the audit. After completion of the study, public hearings will be held to evaluate the consultant's conclusions and recommendations and to determine the allocation of costs for the study.

The PG&E management audit is considered by the commission as a test or demonstration project. If the results are successful management audits of other major utilities will be undertaken. In Decision No. 89710, Southern California Gas Company was placed on notice that such an audit would be required in the future should the results of the PG&E audit indicate its desirability. The commission in the latest Southern California Edison rate proceeding (Decision No. 89711) and San Diego Gas and Electric Company in Decision No. 90405 has also directed the staff to identify specific areas of inquiry for a management and operational audit.

Further the staff has recommended to the commission in Application No. 58223 of Pacific Telephone that a management and operational audit be undertaken. Should the PG&E audit prove successful, it would appear that the staff will be involved with a sizeable and additional future work load.

Research and Development Programs by Utilities

The Operations Division staff reviewed the major energy utilities research and development (R&D) activities during 1978–79 to ensure that all R&D expenditures achieve maximum current and future benefits at reasonable costs to California ratepayers.

The staff in rate proceedings presented project-by-project reviews of Southern California Edison (SCE), Pacific Gas and Electric (PG&E), Southern California Gas (SCG) and San Diego Gas & Electric Co. (SDG&E) research programs. In the SDG&E proceeding the staff testified against a $500,000 proposed expenditure for nuclear research and recommended that the amount be spent on development of geothermal resources. Expenditure for Liquid Metal Fast Breeder Reactor research was eliminated in SCE and PG&E rate proceedings.

In the Gas Research Institute (GRI) proceeding (Federal Energy Regulatory Commission proceeding) the staff questioned the reasonableness of overhead expenses in GRI's 1979 proposed budget. The staff also emphasized its position that GRI should obtain a larger contribution from appliance manufacturers for its development. A meeting was held with Electric Power Research Institute's (EPRI) staff. In the meeting, the staff recommended that EPRI should increase spending on renewable resources related research.

As utilities intensify their research programs, the PUC staff has the responsibility to also intensify its analysis of these programs.

The review showed that electric utilities in California made progress in their search for alternative energy technologies such as fuel cell, wind power, solar, and geothermal. Environmental research by electric and gas utilities which began in the late 1960's continued to strive for the goal of minimizing risk to public health and safety. Spending in conservation R&D increased and favorable results of the efforts by the utilities in this R&D area are reflected in reduced growth rate in energy use. In addition to a continuing review of the utilities' R&D activities, the staff is working to establish criteria for the level of utility R&D funding.

Electronic Data Processing

The Operations Division is currently working on implementing a computer program that will enable the staff to extract data directly from the utility data files. This should contribute to the objective of minimizing regulatory lag. Various operations on the data, such as 12 month summing and regression analysis, can be applied according to the needs of the user. This information can be presented in a variety of formats.

A Box-Jenkins forecasting seminar was held recently. This advanced method of forecasting based on an analysis of past patterns of change in the data is currently being implemented by the Economics Unit of this division. The computer program utilizing the Box-Jenkins methodology is presently being modified to be operative on the commission's Burroughs computer.

The Utility Data File (UDF) contains information on the major California energy utilities using the Uniform System of Accounts. Recently an interactive program has become available for use with the UDF. This will make the UDF an even more efficient and effective tool for examining a utility's expenses. Some of the processes available are plotting of the raw data and twelve month moving sums, regression of twelve month moving sums, and calculation of required ratios. These different analyses can provide greater insight into the variabilities of the recorded and adjusted data.

Communications and Water Groups

The Communications and Water Groups have the responsibility to analyze and evaluate the rates of the privately owned communications and Class A water utilities. These include Pacific Telephone, General Telephone of California and Continental Telephone as well as 19 major water utilities.

Activities attendant with the accomplishment of the group's goal require engineering and related evaluations of various cost of service elements. These may include but are not limited to operational audits for the determination of reasonable levels of expenses, revenues and related taxes, construction and utilization of utility plant. Also included are studies of the organization, financial and operational relationships of manufacturing and service affiliates in regard to compliance with commission orders.

Responsibility for achievement of the goals of the groups is placed in the project manager. Through effective utilization of the staff, which provides expert witnesses, the project manager must meet the required deadlines of the regulatory lag plan and coordinate activities with the Finance, Communication, Legal and Administrative Law Judge Divisions. The staff may also be required to partici-

pate in federal proceedings on plant, depreciation and rate base matters.

Communications Group

The Communications Group prepares engineering and related reports for the major communication utility rate proceedings. This requires evaluations and recommendation of the major cost of service elements: general office salaries and related expenses, taxes, manufacture and service affiliated interests, and other cost-of-service elements such as management and utility plant and operational efficiency.

Monthly summary of earnings reports from Pacific Telephone, General Telephone, Continental Telephone and Citizens Utilities Company of California are reviewed and utilized in the continuous engineering analysis, surveillance and monitoring of the major communications companies. Significant fluctuations are noted and analyzed so appropriate actions may be taken.

An example of such commission monitoring of utility earnings is the extensive $2.5 million service improvement program of Citizens Utilities Company implemented at commission request. Review of the utility's operations, including earnings, established that this improvement program was within the earnings' capability of the utility and would not require a rate increase.

On July 14, 1978, Pacific Telephone filed under the provisions of the Regulatory Lag Plan its Application No. 58223 requesting a $470 million increase in revenues based on a 1979 test year. After a comprehensive investigation, the commission staff issued its reports and testimony disputing the need for any increase and recommending a $234 million reduction in revenues. The proceeding was submitted on March 9, 1979 after 58 days of hearing including presentation of 217 exhibits and items of reference. All phases of the proceeding to date were concluded within the scheduled guidelines set forth for the Regulatory Lag Plan. [A decision was issued by the commission on July 31, 1979.]

General Telephone Company of California, in accordance with the Regulatory Lag Plan, tendered a Notice of Intention on April 16, 1979, to file a rate increase application requesting an $80 million increase in revenues. However, a review of the exhibits and work papers filed under the documentation requirements of the Regulatory Lag Plan were found to be seriously deficient. The utility's filing is being held pending completion of documentation.

Tax Remand Decision

The Tax Remand Decision (No. 87838) dated September 13, 1977, concerns the issue of accelerated depreciation and investment tax credit for rate-making purposes. The decision provided for refunds and rate reductions by Pacific and General Telephone companies. As of January 1, 1979, the commission staff calculated refunds of $282 million and a rate reduction of $80 million for Pacific Telephone customers and refunds of $83 million and a rate reduction of $19 million for General Telephone customers.

This 1977 tax remand decision was the third determination by this commission on resolving these tax-related issues. Nevertheless, that decision was stayed pending judicial review.

The California Supreme Court denied review to the utilities in 1978 and the United States Supreme Court denied a review of the case in December 1978 and again in February 1979.

On January 16, 1979, telephone companies had been ordered to file refund plans with the commission within 30 days after the Supreme Court denied their latest petitions. The companies on February 6, 1979, filed an appeal to the commission of that January order, claiming that the Internal Revenue Service may declare them ineligible to benefit from the tax savings and that they may be obligated to pay back taxes of up to $3 billion.

After oral argument before the full commission, the suspension of the tax remand decision was terminated on March 14, 1979, allowing Decision No. 89894, providing for specific refund and rate reduction plans, to become effective.

The telephone companies subsequently petitioned the Federal District Court for a restraining order pending final determination of tax eligibility by the Internal Revenue Service. After denial of their petition the matter was appealed to the Ninth District Court of Appeals. A temporary stay was granted by this court but subsequently, the Court upheld the PUC decision. The telephone companies appealed the matter again to the U.S. Supreme Court. The appeals were denied.

Water Utilities Group

The Water Utilities Group is responsible for the regulation of rates of 19 major water utilities with 73 separate districts. The jurisdiction of six of the 19 water utilities was transferred from the Hydraulics Branch of the Utilities Division to the Operations Division in November 1978.

Staff engineers from the Water Group prepare engineering reports on results of operations for general rate proceedings and are responsible for all phases of rate proceedings which includes rate design but excludes major service related problems. Preparation of staff results of operations reports involves an engineering analysis of the utility operations and preparations of estimates for customers, sales, revenues, expenses, rate base and rate of return.

Project managers of the Water Group have the overall responsibility of staff presentation and for the coordination of other divisions in presentation in the general rate proceedings. In addition to processing general rate increase requests, they are responsible for processing offset rate increases by advice letter procedure and preparing resolutions making recommendations for rate increases for the commission's consideration.

One of the significant events in the regulation of water utilities in the fiscal year 1978–79 was the adoption by the commission of a Regulatory Lag Plan (RLP) by Resolution No. M-4705 on April 24, 1979 for all water utilities under its jurisdiction. RLP for water utilities was devel-

oped on the same basis as the one for energy and telephone utilities. The plan reduces the time between the filing of a rate increase request and the date a final decision is issued. This time period is commonly called "regulatory lag period". The protracted length of rate proceeding, or regulatory lag has been a major concern of the utilities, the California Water Association and the commission.

The plan provides for (1) the completion of rate increase requests through general rate application within 240 days from the date of filing; and (2) the completion of an advice letter general rate increase request within 180 days from the date of filing. The plan requires that informal public meetings chaired by the project manager be held in the service territory of the water utilities. These meetings provide the public the opportunity to inform the commission staff regarding the quality of water service and their views on the proposed rate increase. The plan also has provisions to provide partial rate relief if it appears that the rate proceeding will not be completed in the specified time.

The staff developed a set of standard work papers to be filed by all Class A and large Class B water utilities with their general rate increase requests. These work papers are similar to the documentation required by the RLP for energy and telephone utilities. The use of standard work papers will enable the staff to process rate increase requests in an expeditious, efficient and consistent manner.

One of the major objectives of the plan is an attempt to grant appropriate rate increases at the beginning of the test year in which the rates are established. By this means a utility is allowed a reasonable opportunity to authorize a rate of return.

During the 1978–79 fiscal year, the staff of the Water Group developed a procedure for proper maintenance of balancing accounts as required by Section 792.5 of the Public Utilities Code. This procedure was adopted by the commission at the conference of September 6, 1978.

Depreciation Unit

The Depreciation Unit recommends to the commission the depreciation rates resulting from proper average service lives, net salvage, and methods of recovery of plant expenditures and the amortization of intangible costs. It also provides guidelines to staff engineers assigned to depreciation matters in connection with rate proceedings and prepares engineering standards of depreciation studies.

Section 795 of the Public Utilities Code authorizes the commission to fix proper and adequate depreciation rates for public utility plant. To ensure that depreciation rates are reasonable, the staff of the Depreciation Unit makes periodic reviews and analyses of utilities' proposed depreciation rates and accruals, service lives, salvage estimates and mortality studies, and maintains surveillance over utilities' remaining life depreciation rate computations.

The depreciation method prescribed by the PUC for rate-making purposes is the straight-line remaining life (SLRL) method. Under this method, the original cost of surviving depreciable plant, less the estimated net salvage and depreciation reserve, is expensed over the remaining life of the plant. The resulting depreciation accrual is allowed as an operating expense for rate-making purposes.

During the calendar year 1978, depreciation expense accounted for 3.5% of gross depreciable plant for major gas utilities under the commission jurisdiction, 3.2% for major electric utilities, 2.3% for major water utilities and 5.5% for major communications utilities.

The commission requires that the utilities submit their proposed depreciation rates at regular intervals (normally one year). The staff evaluates the studies supporting the proposed rates to ensure that proper engineering methods have been used. Upon determination by the staff that the utility proposals are acceptable, as modified by the staff when necessary, a public notice is provided to interested parties as well as all participants in the utility's most recent rate proceeding with a 30-day period for comments. The staff then submits its recommendations along with comments by interested parties to the commission in resolution format. In 1978, the commission approved depreciation rates for seven major public utilities, resulting in total annual depreciation accruals of $695.3 million based on $12.8 billion in gross depreciable plant.

During this fiscal year, the staff updated the cost of decommissioning nuclear plants to reflect more recent data available in governmental and scientific reports. Staff compared the sinking fund and the straight line remaining life (SLRL) methods for the equitable recovery by utilities of the cost of decommissioning of nuclear plants.

The Depreciation Unit, as well as staff of the Finance Division, have the responsibility of evaluating Pacific Gas and Electric Company's Application No. 58911, filed June 6, 1979—the Rate Base Offset Procedure for Diablo Canyon Nuclear Generating Station Units No. 1 and 2. The Rate Base Offset Procedure is a method of reflecting the base rates effect of Diablo Canyon simultaneously with a change in the Energy Cost Adjustment Clause rates.

In conjunction with the staff of the Federal Communications Commission (FCC), the Depreciation Unit conducted a major study of Pacific Telephone Company plans for the retirement and modernization of its plant and equipment. The study resulted in staff recommendations on retirement schedules, average service lives, and net salvage percentages for major switching equipment categories and other telephone plant accounts. These recommendations will subsequently result in the represcription of depreciation rates for PT&T for both its intra- and inter-state operations.

In this review, the Depreciation Unit took exception with the utility on its proposal of an accelerated program for the retirement of electromechanical central office equipment, wherein replacement by modern electronic switching equipment will be completed by the year 2000. While the Depreciation Unit has no doubt as to the cost effectiveness of this modernization program, it has serious reservations that the required heavy capital commitment of about $1 billion over the next three years for modernization will be met. In addition, the staff has initiated a study on the advisability of replacing existing operating equipment with analog electronic switching equipment,

particularly at a time when newer, more efficient digital electronic switching equipment will be produced in adequate quantities to satisfy demand in the near future. A three-way discussion between the staff, FCC, and Pacific is in progress. When agreement is reached, the results will be presented at this commission, as well as the FCC, by their respective staffs for approval.

Economics Unit

The Economics Unit of the Operations Division provides expertise in the area of economics and forecasting in major rate cases. The unit's responsibilities include the following areas: short term forecasting of customers, sales, and revenues; econometric studies; and research and analysis in response to public inquiries and management requests. The unit has the responsibility for providing the Council of Wage and Price Stability with quarterly reports assessing the compliance of the major utilities to the Federal wage and price standards.

During this fiscal year the unit prepared and presented testimony in major rate cases whose final outcome would have a significant dollar effect on rates. Analysis of the revenues and pensions and benefit accounts of the major utilities for which rate hearings were held included the use of econometric models, actuarial evaluations, and development of independent estimates by the staff. The econometric models included such variables as a gross national product, consumer and producer price indicies, housing starts, and population growth. The unit utilized a Delphi technique to develop its own projections for the various economic indicators.

The staff evaluated various utility actuarial studies to determine the reasonableness of underlying assumptions which affect pension expenses. These assumptions relate to the expected future earnings of the pension funds and to future increases in wages and the cost of living. Subsequent studies will include detailed analysis of the historical earnings of utility pension funds to further assess the reasonableness of earnings rate assumptions.

The staff of economists participated with other units within the Operations Division on the following major studies: OII-19 Investigation into the Effect of the Addition of Article XIII-A to the Constitution (Jarvis-Gann Initiative) on the rates of California public utilities; OII-24 Investigation into the method to be utilized by the commission to establish the proper level of income tax expense for ratemaking purposes of public utilities; and OII-25 Investigation into the feasibility of an adjustment mechanism for electrical sales (AMES).

OII-19, which was discussed in greater detail in the opening section, culminated in Decisions No. 89194 and No. 90000 requiring significant rate reductions.

For OII-24, the Economics Unit participated in an analysis of whether to include interest expenses allocated to construction work in progress as current income tax deduction. Alternative discounted revenue requirements were prepared by varying the assumptions of plant construction time, discount rate, and the life of a plant. Charts and tests were prepared for an exhibit.

Pursuant to OII-25, the staff researched a possible adjustment (AMES) mechanism for electric revenue impacted by conservation efforts and experimental rate designs that encouraged more efficient use of resources. Exhibits and testimony were prepared regarding recorded revenues as compared to rate case estimated revenues. The various effects of over-and-under-collection of revenues resulting from conservation efforts or experimental rate design was discussed at public hearings on staff and utility proposed mechanisms.

The unit monitors and analyzes the operations of major California utilities and presentation of the status of rate cases of the major utility companies through a computerized tracking system.

Monthly summary of earnings and status of major case proceedings reports are respectively issued by the unit on a monthly and semimonthly basis. Further developments of the computerized tracking system and data processing capibilities should assist the division in responding to inquiries from such diverse groups as NARUC and other private and governmental survey organizations as well as for developing models of utility sales, revenues, and expenses for us in upcoming rate cases.

Finance Division

PARKE L. BONEYSTEELE
Director

The Finance Division advised the commission on auditing, accounting, financing, securities, economic, tax and rate of return issues. It participated in major rate, certificate, and financing proceedings which involve utility and transportation companies regulated by the commission. In addition, the Finance Division takes part in proceedings before federal agencies when the interests of California ratepayers are involved.

The Finance Division is staffed by 62 accountants, engineers, technicians and clerical personnel. The professional staff includes 11 certified public accountants, one licensed public accountant, nine accountants who have successfully passed the CPA examination and are now fulfilling their work experience requirements, and two registered professional engineers. Thirteen members of the staff have advanced degrees.

The State Board of Accountancy has authorized the Finance Division to establish a qualifications committee, composed of four senior staff members who are CPA's to evaluate the qualifications of Finance Division candidates for the CPA certificate. After a thorough and comprehensive study of the professional qualifications and experience of each candidate, the committee recommends to the Board when a CPA certificate should be granted.

The Finance Division consisted of two branches—the Financial Examinations Branch and the Finance and Economics Branch.

Financial Examinations Branch

The primary function of the Financial Examinations Branch is to audit the accounting and financial records of regulated companies in connection with general rate cases. This work includes auditing the recorded results of operations, verifying data presented in rate case exhibits and working papers, providing analyses to be used by staff engineers in their test year estimates, and generally insuring the integrity of the data bases relied upon by the commission in carrying out its regulatory responsibilities.

During the past fiscal year, the financial examiners of this branch audited the records of more than 60 utility and transportation companies, prepared reports on the financial position and operating results of these companies, and testified to staff audit findings and recommendations in proceedings before the commission.

This branch is also responsible for the preparation, interpretation, and revision of the various systems of accounts prescribed for regulated companies. In addition, this branch is often called upon to answer questions on accounting matters, to prepare accounting rulings, and to provide the commission with expert accounting advice.

The Financial Examinations Branch is divided into three sections—the Energy Section, the Communications and Transportation Section, and the Los Angeles Section.

Energy Section

The Energy Section is responsible for audits of accounting and financial records of electric, gas and water companies. These audits usually are made in response to applications by utilities for increases in rates. In addition, as a result of the unsettled energy supply conditions and the impossibility of accurately forecasting quantities or costs of various kinds of fuels that will be available, the commission has authorized energy utilities to establish several types of balancing accounts. These accounts compensate them for fuel costs or changes in supply. Balancing accounts also are used to offset costs incurred by energy utilities in seeking new sources of gas and other fuels.

The proliferation of balancing accounts has greatly increased the work load of the Energy Section.

To date, the list of special balancing accounts has grown to include:

- ECAC (Energy Cost Adjustment Clause)
- PGA (Purchased Gas Adjustment)
- EEDA (Energy Exploration & Development Adjustment)
- GEDA (Gas Exploration & Development Adjustment)
- SAM (Supply Adjustment Mechanism) (Gas)
- TCAC (Tax Cost Adjustment Clause)

In addition, there are two other special balancing accounts which the commission is considering establishing: AMES (Adjustment Mechanisms for Electric Sales) and RBOP (Rate Base Offset Procedure).

During the year, the Energy Section completed audits of the following major utilities: Pacific Power and Light, Pacific Gas and Electric, Southern California Edison, Southern California Gas, San Diego Gas & Electric, Sierra Pacific Power, and CP National.

Audits of other smaller electric and gas utilities, as well as numerous water companies also have been made.

In addition to rate case audits, the auditors in the Energy Section prepare reports and testify in proceedings involving a variety of other regulatory matters. During the past fiscal year these special assignments included an investigation of CP National's EDP system and billing procedures, a review of the effects of Proposition 13 on electric, gas and water utilities to make certain the tax savings were passed through to the ratepayers, a determination of proper accounting for exploration and development costs, and recommendations leading to the adoption of a revised formula for computation of the Allowance for Funds Used During Construction (AFUDC).

The Energy Section provides advice to the commission and staff on accounting matters, including interpretations of the various uniform systems of accounts for utilities. It reviewed and participated in Federal Energy Regulatory Commission dockets.

Communications Unit

The Communications Unit has the responsibility of auditing communications companies and their manufacturing and service affiliates. The unit provides technical advice on accounting, auditing and financial matters to communications companies, the commission and other commission staff. Members of the unit participate in federal matters affecting the communications industry and provide expert witnesses on accounting and ratemaking issues.

During the year, the Communications Unit audited Pacific Telephone, the largest operating telephone company of the Bell System, and General Telephone Company of California, the largest of General Telephone's operating telephone companies.

A unique difference between telephone companies and other types of regulated utilities is that the major telephone companies purchase most of their equipment from manufacturing company affiliates. This close relationship and the resultant absence of arms-length bargaining requires extensive audits of these affiliates to make certain that prices paid by the operating telephone companies are fair and reasonable and that the ratepayers' interests are protected.

During the past fiscal year this unit completed the most comprehensive audit ever undertaken by the commission staff of Western Electric and Bell Laboratories, the manufacturing and research affiliates of Pacific Telephone together with a review of the License Contract agreement between PT&T and its parent, American Telephone and Telegraph Company. The staff audit report has attracted nationwide interest.

Expert witnesses from the unit have testified on affiliated transactions in Kansas and Georgia at the request of their state regulatory commissions. Similar requests were received from the Idaho, Mississippi and Michigan commissions.

On the national level, the unit actively participated in the Federal Communications Commission's rulemaking proceedings to establish a revised uniform system of accounts for telephone companies. It also undertook extensive studies on the impact on California ratepayers of proposed charges in station connection accounting and deregulation of terminal equipment.

Information Systems Audit Unit

The Information Systems Audit Unit was established during the year to recognize the growing reliance of utilities upon the use of computers. The present staff consists of a senior financial examiner and a senior EDP programmer analyst. Future plans include transferring other auditors and analysts to this unit so that the EDP operations of all major utilities may be audited on a periodic basis.

This unit is also responsible for preparing revisions of uniform systems of account, analyzing and commenting on changes in accounting procedures proposed by federal agencies and providing accounting interpretations to regulated California utilities upon request.

Transportation Unit

The Transportation Unit provides the Transportation Division with technical accounting expertise on an "as requested basis". During the year, the unit participated in fare increase proceedings of PSA and Air California. Substantial staff time was also expended in auditing Southern Pacific Company operating expenses and its investment in its San Francisco Peninsula commuter service. This work was performed at the special request of Caltrans to provide a technical accounting basis for its negotiation with Southern Pacific.

Finance and Economics Branch

The Finance and Economics Branch is responsible for advising the commission on security issues, recommending rate of return allowances, monitoring utility earnings, developing economic and financial forecasts, and providing technical advice on income tax matters, performing rate fund audits and maintaining financial reports for use by the public and the staff. This branch is organized into two sections—the Financial Section and the Economics Section.

Financial Section

The Financial Section is composed of the Securities Unit, the Rate of Return Unit, the Tax and Procedures Unit and the Rate Fund and Support Services Unit.

The Securities Unit is charged with the responsibility for processing all applications of California utilities to issue stocks, bonds, or other securities; to sell, transfer, lease or encumber utility property; and to assume obligations or liabilities as a guarantor.

Based on an analysis of each application, the personnel of this unit recommend either the granting or denying of these requests, appear at hearings as expert witnesses, and prepare drafts of decisions for consideration by the commission. The financial experts in the Securities Unit also provide technical advice to the commission on security issues and financial policy matters.

During the past fiscal year, the Securities Unit recommended the authorization of securities amounting to $2,934,102,000 as compared to $2,335,828,000 in the previous fiscal year. This total is segregated by class, type of public utility, and purpose in the following tabulation:

Class of Security

Stocks	816,055,000
Bonds	1,680,365,000
Notes and other evidences of indebtedness	637,682,000
Total	2,934,102,000

Type of Public Utility

Gas and Electric Utilities	1,406,970,000
Telephone Utilities	1,504,734,000
Water Utilities	20,976,000
Warehousemen	816,000
Trucking Companies	606,000
Total	2,934,102,000

Purpose	
Plant Additions	2,912,274,000
Refunding	15,415,000
Reorganization	6,413,000
Total	2,934,102,000

The following tabulation sets forth the debt and stock offerings of major California utilities during the fiscal year from July 1, 1978 through June 30, 1979.

Security Offerings of Major California Utilities During the 1978–1979 Fiscal Year

Debt Securities (000 omitted)

Public Utility	Offering Date	Maturity Date	Principal Amount	Initial Price	Coupon Rate
General Telephone Company of California ..	Various	Various	50,000	100.00	8.75–9.50%
Pacific Gas and Electric Company	12-1-78	2-15-04	175,000	100.00	9.375
Pacific Telephone and Telegraph Company	11-9-78	11-1-14	300,000	100.00	9.625
Southern California Edison Company	10-31-78	11-1-03	200,000	99.299	9.625
Pacific Gas and Electric Company		6-1-11	2,870	100.00	6.250
Pacific Telephone and Telegraph Company	2-7-79	2-15-16	300,000	100.00	9.875
General Telephone Company of California ..	5-17-79	5-1-09	75,000	99.316	10.125
San Diego Gas and Electric Company	4-28-79	4-23-86	20,000	100.000	Floating
San Diego Gas and Electric Company	4-28-79	4-23-86	25,000	100.000	Floating
San Diego Gas and Electric Company	4-28-79	4-23-86	30,000	100.000	Floating
Pacific Gas and Electric Company	6-1-79	8-1-12	200,000	99.75	10.125
Pacific Telephone and Telegraph Company	6-28-79	7-1-19	300,000	100.00	9.750
Southern California Edison Company	6-29-79	6-15-04	105,000	100.00	9.960

Stock Offerings [1] (000 omitted)

Public Utility	Class of Stock	Offering Date	Offering Price	Shares Offered	Net Proceeds to Company	Dividend Date
General Telephone Company of California ..	Common	12-28-78	20.00	1,312	50,000	.46
Southern California Edison Company	Dividend Reinvestment Common	11-11-78	22.62	1,171	26,496	2.48
San Diego Gas and Electric Company	Common	5-11-78	15.00	2,500	36,325	1.38
Pacific Telephone and Telegraph Company	Preferred	Various	25.00	8,000	199,500	8.10–8.60%
General Telephone Company of California ..	Common	12-28-78	20.00	1,188		.46
Southern California Edison Company	Common	10-17-78	25.375	3,500	88,813	2.48
Southern California Edison Company	Preferred	4-25-79	100.00	525	52,342	8.70%
General Telephone Company of California ..	Common	4-30-79	20.00	750	15,000	.46
General Telephone Company of California ..	Preferred	5-1-79	100.00	200	20,000	8.575%
General Telephone Company of California ..	Preferred	5-1-79	100.00	380	38,000	8.80%

[1] Excludes issuance of stock made under various employee stock purchase plans, stock savings plans, and dividend reinvestment plans.

Rate of Return Unit

The Rate of Return Unit is responsible for preparing cost of capital and rate of return studies in connection with all rate proceedings of the major California utilities. The rate of return experts in this unit prepare testimony and exhibits which are presented as evidence in formal rate proceedings and used to support a recommended rate of return which is fair and reasonable for both the utility and its ratepayers.

Rate of return is one of the most important elements in any rate proceeding and the subject is always a matter of controversy. A difference of one-quarter of one percent in the rate of return allowance for a company, such as Pacific Telephone, for example, would change its gross revenue requirement by approximately $33 million annually. The rate of return authorizations for the period July 1, 1978 to June 30, 1979 are shown in the tabulation on the following page.

The counterparts to the staff rate of return witnesses are the top financial officers of the utilities, or quite often, noted financial consultants hired to testify on behalf of the utilities.

The unit maintains a library of shareholder financial reports of more than five hundred utilities and major industrial corporations throughout the United States. Data from these financial reports, together with information on interest trends, security issues, and financial material obtained from conventional investment reporting services, are abstracted and analyzed to assist the staff experts in preparing rate of return recommendations for presentation to the commission. Decisions of other regulatory agencies are also reviewed to identify the various factors considered in the rates of return.

The unit also participates in proceedings before federal regulatory agencies when rate of return issues are involved to protect the interest of California ratepayers.

Rate of Return Authorizations
July 1, 1978 to June 30, 1979

Type-Date	Company	Rate of Return Authorization
Electric		
September 1978	Pacific Gas and Electric Company	9.50%
December 1978	Southern California Edison Company	9.60
June 1979	San Diego Gas and Electric Company	10.59
Gas		
September 1978	Pacific Gas and Electric Company	9.50
December 1978	Southwest Gas Corporation	10.12
December 1978	Southern California Gas Company	9.73
June 1979	San Diego Gas and Electric Company	10.59
Steam		
June 1979	San Diego Gas and Electric Company	10.59
Water		
July 1978	California Water Service Company	9.95 [1]
July 1978	California-American Water Company	9.60 [2]
July 1978	Del Oro Water Company	10.00
August 1978	Fruitridge Vista Water Company	9.25
August 1978	Southwest Suburban Water	10.00
September 1978	Washington Water and Light Company-Citizens Util. Co. of Calif.	8.80
October 1978	Rancho Las Posas Water Company	9.75
October 1978	Lake Gregory Water Company	9.15
October 1978	Caspian Water Company	10.00
October 1978	San Jose Water Works	9.17
December 1978	Dominguez Water Corporation	10.20
December 1978	Paradise Estates Water Company	8.00
January 1979	Campbell Water Company	9.75
January 1979	Patterson City Water Company	10.40
February 1979	Alisal Water Corporation	9.80
April 1979	Jackson Water Works—Citizens Util. Co. of Calif.	9.10
June 1979	Gibbs Ranch Water Company	9.60
June 1979	California Water Service Company	10.08 [3]

[1] Selma, King City, Salinas, San Mateo and Stockton Districts.
[2] Baldwin Hills and Duarte Districts.
[3] Hermosa-Redondo and Bear Gulch Districts.

Tax and Procedures Unit

The tax function has three primary areas of responsibility: The first is to develop and present income tax issues in major rate cases and to formulate proper regulatory treatment of the income tax expenses of each utility.

The second area is to keep abreast of the constantly changing state and federal tax laws. This is accomplished through outside training seminars and in-house studies.

The third activity is to advise the commission staff on income tax matters that arise in the course of this work.

During the year, tax function has raised new major issues in every proceeding in which it has participated. The following summary lists the utilities involved and the tax issues:

Utility	Tax Issue
Pacific Gas and Electric	Differences between taxes based upon estimated expenses and taxes actually paid.
Southern California Gas	Should the commission adopt for ratemaking purposes the effective tax rate actually paid by a consolidated group or a higher tax allowance that would result from an assumption that the utility had filed a separate tax return?
Air California	Should the commission allow a utility to recover in rates income taxes which were not paid to taxing authorities but rather to creditors of its parent company?
Pacific Telephone	Should a portion of a parent company's interest expense be allocated to a utility in the computation of income taxes?
San Diego Gas & Electric	Consolidated tax rate issue (same as the Southern California Gas issue).
Pacific Southwest Airline	Should airline companies be allowed to normalize income taxes for ratemaking purposes?

The procedures function provides the division administrative support in the key areas of workload management and control, personnel and training. Managing available resources and matching them to workload is the constant task of striving for cost effectiveness.

Rate Fund and Support Services Unit

The Financial Reports function of the Financial Section processed more than 5,260 requests to examine the 20,300 monthly, quarterly and annual reports that were filed during the past fiscal year by companies regulated by this commission.

The Rate Fund function is responsible for audits of trucking companies in order to verify that Transportation Rate Fund Fees are properly reported. Its auditors performed 420 audits of trucking companies during the fiscal year. In about one out of every six audits, the auditors discovered revenues which had not been reported. More than $5.5 million of unreported revenues were revealed. As a result of these audit findings, $26,967 of additional fees and penalties were collected from trucking companies.

The Rate Fund Audit function also maintains records of the annual revenues derived from California operations of regulated companies which are shown in the following tabulation:

ANNUAL REVENUES DERIVED FROM CALIFORNIA OPERATIONS

General Utilities	No. of Companies	Calendar Year 1978	1977
Water Utilities, Classes A,B,C.	82	$121,562,245	$156,363,067
Class D	293	3,264,705	3,352,611
Sub Total	375	124,826,950	159,715,903
Gas Utilities, Classes A and B	6	3,740,566,950	3,467,743,741
Classes C and D	9	1,792,865	1,672,125
Sub Total	15	3,742,359,815	3,469,415,866
Steam Heat Utilities PG&E, SDG&E	2	3,833,649	3,532,704
Electric Utilities, Classes A and B	7	4,954,898,633	4,840,096,416
Classes C and D	6	3,403,644	3,091,580
Sub Total	13	4,958,302,277	4,843,189,996
Telephone Utilities, Classes A and B	25	5,576,641,499	5,012,853,337
Classes C and D	1	64,809	72,243
Sub Total	26	5,576,706,308	5,012,925,580
Radiotelephone Utilities	49	19,854,403	19,470,160
Sewer Utilities	19	1,699,661	1,332,318
Total	499	$14,427,583,063	$13,509,582,532
Transportation Warehouse Companies			
Motor Carriers of Passengers Classes I, II, & III	158	$113,811,774	$100,945,688
Railroads			
Class I	5	132,223,000	135,902,000
Class II & III	27	41,520,684	27,395,755
Sub Total	32	173,743,684	163,297,755
Vessel Common Carriers			
Class A	5	14,489,717	12,115,113
Classes B & C	16	5,331,792	2,973,575
Sub Total	21	19,821,509	15,088,688
Warehousemen			
Merchandise	181	47,533,694	42,816,065
Agricultural	46	1,851,649	4,814,337
Sub Total	227	49,385,343	47,630,402
Total	438	$356,762,310	$326,962,533

Economics Section

The Economics Section researches, analyzes and recommends solutions to, and policy input for, various regulatory problems. It played an important role in providing policy on a wide variety of areas to include geothermal development, solar financing and utility resource plan evaluations.

The section continued in its role of providing financial and rate impact expertise before the California Energy Commission (CEC).

Due to the growing concern over the risks and uncertainties associated with traditional energy supply, this section has devoted more of its resources in analyzing the costs and benefits of non-traditional energy supplies. The promise of geothermal as a fuel source for Southern California's electric generation is impacted by the availability of financial resources. The staff worked closely with private investors in developing a financial vehicle that will provide the necessary capital to complete the first commercial-sized geothermal generating station in Southern California. PUC authorization of a sale and lease-back transaction was necessary in order to attract equity investors into the project and to facilitate federal loan guarantees which will guarantee repayment of debt capital. California's electric ratepayers were not called upon to undertake the risks associated with the development of this new energy resource. Hopefully, this new method of financing can serve as a model for future development of other energy resources as well as geothermal.

On-site residential solar applications for essential uses became the subject of two additional commission investigations during the 1978–79 fiscal period. OII No. 42 is directed towards evaluating the availability of long-term, low-interest financing for residential solar retrofits. The staff issued its first report on Solar in April 1979. This report analyzed the availability and cost of traditional sources of home improvement loans, banks and savings and loan associations. In addition, various methods of utility involvement in financing solar loans for ratepayers were presented.

The section is in the process of preparing additional studies on direct utility financing of Solar so as to deter-

mine the potential costs and benefits associated with such a program for participants and non-participants ratepayers who would subsidize the program and investors of the various public utilities who may offer such programs. To expand the Commission's ability to forecast and quantify the impact of regulatory policy changes on both ratepayers and investors, the Economics Section continued to expand its efforts in the field of computer model forecasting.

The Regulatory Analysis Model (RAm) is now available for commission-wide use. The Economics Unit of the Finance Division together with representatives of the Operations Division and EDP Section completed all necessary work on the model, and it is expected that RAm will be used in rate proceedings and financial analyses by the staff in the near future.

Pacific Gas and Electric Company's application before the CEC to construct a 1600 megawatt coal-fired plant in Northern California became the subject of an investigation by the Economics Section during the fiscal year ending June 1979. Under the California Resources Code, the PUC is required to provide expertise in the areas of system reliability, economics rate impact and financing requirements on applications by California public utilities to construct additional generating facilities. The staff has the responsibility for economic, rate impact and financial analysis. During the first quarter of 1979, the staff completed its report and testified in the CEC proceeding.

Communications Division

JAMES M. MCCRANEY
Director

It is the responsibility of the Communications Division to administer legislative statutes and commission orders pertaining to investor owned telephone, telegraph, and radio telephone utilities which provide service within the State of California.

Communications utilities comprise approximately 45% of the publicly held utility industry in California. This segment currently accounts for over $15 billion in plant investment and approximately $5.6 billion in annual revenue. Operating communications utilities in California include the largest operating affiliates of both the Bell System (Pacific Telephone and Telegraph Co.) and General Telephone and Electronics (General Telephone of California). These two telephone utilities serve more than 97% of the telephone customers in California. The remainder are served by some 24 other telephone companies.

The primary objective of the Communications Division is to assure that the rate payers of California are receiving the best possible service at the most reasonable cost. This philosophy is manifested through the division's attempts to reduce regulatory lag by the rapid processing of utility filings, encouragement of innovative and technologically advanced services, and the review of utility operations to assure proper levels of service and productivity.

The Communications Division has been organized into two functional branches, Rates and Surveillance. The Rates Branch has the responsibility of reviewing utility tariff filings for new terminal equipment and services, the development of separations plans, and Federal Communications Commission liaison. The following table indicates the volume of work of the Tariff Unit of the Rates Branch:

TARIFF STATISTICS
Fiscal Year 1978–1979

Advice Letters	894
Tariff Sheets	5,645
Resolutions	243
Proposals	498
Contracts	36
Intercompany Agreements	27

Tariff functions include review of tariffs to assure compliance with statutory and policy requirements, filing and recording of tariffs, and preparation of commission authorization for tariff revisions. Tariff review includes analysis of rates, development of rates for various types of service, cost of service studies, and the development of appropriate rules based on conditions of service. Because of protests from competitors, many tariff filings on terminal equipment require formal hearings either as a result of tariff suspension or formal application. Members of the division participate in these proceedings and often prepare noncontroversial orders when hearings are not required.

The certification for direct connection of equipment was formerly processed under the PUC's General Order No. 138. Now, however, this practice has been discontinued due to the FCC's implementation of a nationwide registration program.

Telephone "separations" refers to the process whereby utility operations are allocated between state and inter-

state jurisdiction or between various major categories of service. Separation procedures are used to determine that portion of a utility's operations which are subject to regulation by this commission as compared with the portion regulated by federal agencies. The separations unit is responsible for developing basic separations methods, monitoring the use of these methods and applying appropriate separations procedures for rate fixing purposes.

Estimation of future revenues, especially during formal rate proceedings is another area of Rates Branch responsibility. A particularly difficult problem is presented in the determination of toll revenues where there is an interaction between all the utilities in the state.

This interaction arises from the cost basis of settlement used in dividing the toll revenues among the various telephone utilities in the state. From the total toll revenues generated in the state each utility receives its costs incurred in handling its toll business plus a return on its plant investment devoted to toll. An increase in toll rates will increase the overall toll return and the return to each utility. Likewise an increase in toll expenses of any utility will increase the total toll costs and lower the return to all the utilities.

The Surveillance Branch is assigned the task of reviewing the operations and service quality of the 26 California telephone utilities. With the institution of the Regulatory Lag Plan, it is essential that these two areas be reviewed frequently to ensure a comprehensive and timely staff report when a major communication utility files for a general rate increase. In order to accomplish this goal the branch is creating a mechanism for continuous surveillance of the operations of Pacific Telephone, General Telephone, and Continental Telephone. During non-rate case periods the branch plans to prepare bi-annual reports covering the operations and service of these major telephone utilities to show the effect of changing demands and technology.

The monitoring of service quality is performed by the Surveillance Branch through the administration of the commission's General Order No. 133 which sets forth standards for telephone service. The staff regularly receives and analyzes the service reports made pursuant to this order. In addition, the staff is sensitive to service problems as they arise in various parts of the state. Attention is given particularly to assuring that communications facilities are adequate to meet current and future requirements.

TECHNICAL HIGHLIGHTS

Regulated communications utilities in California have been in the forefront of the industry in the use and application of many of the new high technology advances in communications. Solid state electronics contributes to providing better communication services at lower cost and lower energy usage.

Digital Transmission and Switching

Digital communications is a means of expanding the capacity of communications circuits by converting voice information to digital pulses transmitted at rates as high as 1½ million pulses per second. Digital carrier systems are already in widespread use providing transmission of up to 24 telephone conversations on two pairs of wires in a regular telephone cable. The most recent innovation is the use of the same digital technology for the switching of calls between telephone customers. Continental Telephone has installed digital switching systems in five of its exchanges: Bishop, Dos Palos, Manteca, Oro Loma and Ridgecrest. Also the Capay Valley, CP National, Happy Valley, Roseville and Tuolumne Telephone companies are currently in the process of installing or acquiring digital central offices.

Some of the advantages of digital switching include elimination of metallic switches through exclusive use of solid state electronics, elimination of conversion devices between the switching office and digital transmission links, and greatly increased reliability with reduced maintenance costs. Pacific Telephone has installed two No. 4 ESS digital offices for handling toll calls since 1978. It is expected that in coming years much of the telephone system in the United States will be converted to a digital basis for both transmission and switching.

Network Improvement

Currently all interoffice signaling is provided on the same wire pairs as the voice paths. This mode of operation will be changing shortly through the implementation of Common Channel Interoffice Signaling (CCIS) over a Stored Program Controlled network physically divorced from the voice path network. The new design will allow faster completion of long distance calls, more advanced call rerouting during peak loads, and a variety of custom calling features. These features will include Automatic Call Back (if a number dialed is busy it can be periodically checked—automatically—and the call completed when the line clears); Call Priority Ringing (which allows the subscriber to specify those phone numbers from which he is willing to accept incoming calls); and Automatic Bill Calling (which permits credit card calls without operator assistance). Some of the features require a system wide effort, but all should be available by the mid-80's.

Energy Conservation

The phone utilities have and are continuing to make great strides in the area of energy conservation. Such innovative ideas as General Telephone's sub-compact auto fleet, urethane roof insulation, and peak period shaving through the use of emergency power generators, are only a sampling.

Pacific Telephone, a long time participant in this area, is instituting a Building Energy Management and Redesign Retrofit (BEMARR) program which will make their buildings and the associated environmental systems more fuel efficient. Pacific is also beginning to purchase subcompact cars with manual transmissions for high stop-and-go driving areas. Their Auburn Field Operation Center, solar heated, is another of their many innovations.

All these programs, while energy conserving, also reduce the utilities operating costs and consequently have a favorable impact on both rates and the environment.

FORMAL MATTERS

Proposition 13

On June 6, 1978, the voters of the State of California were presented with an initiative, Proposition No. 13, to add Article XIII-A to the Constitution of the State of California. The initiative was approved on that date by the voters and became effective on July 1, 1978 with substantial property tax reductions for all California telephone utilities.

Article XIII-A limits the amount of ad valorem tax on real property and, further, places restrictions on the growth in assessed values of such properties.

This commission, on June 27, 1978 opened an Order Instituting Investigation, OII No. 19, into the effect of the passage of Proposition No. 13 on California regulated utilities. An evidentiary hearing was held on August 14, 1978 to determine a proper method of passing through the ad valorem tax saving to the ratepayers of the telephone utilities realizing those savings.

Decision No. 89590, dated October 31, 1978, ordered that California's telephone utilities pass their intrastate property tax savings on to their customers in the form of a credit on the monthly bill. Credits to ratepayers for the fiscal year 1978–1979 totaled approximately $78 million for California's 25 telephone utilities.

Pacific Telephone Rate Increase

The Communications Division actively participated in Pacific Telephone's Application No. 58223, seeking a $470 million increase in rates. The staff studies indicated a $234 million reduction was in order.

The staff estimate for local and intrastate revenues was $200 million higher than Pacific's. The staff estimate for total company maintenance expense was $70 million less, for traffic expense $37 million less and for commercial expense $94 million less. For the first time, the staff faulted Pacific for imprudence in not implementing available technology on a timely basis to achieve expense savings. One instance of this is failure to implement a teleprocessing system for processing service orders that would have saved $57 million in operating expenses.

The staff's rate spread proposals embodied a unique integration of the current multimessage unit service into measured local service under a Zone Usage Measurement plan (ZUM). The calling would be on a one-minute timing basis with evening and night discounts similar to toll service.

The staff also recommended that $3 million be set aside for providing discounts to handicapped and for providing additional services as needed. A decision on this case is still pending.

[The PUC decided this matter on July 31, 1979—one month into the new fiscal year.]

Directory Advertising Investigation

On [illegible] 20, 1977 Pacific Telephone filed Application No. 57[illegible] requesting permission to raise directory advertising rates. OII No. 5 was issued on November 22, 1977 to investigate the telephone directory advertising rates, charges, contracts, rules, practices, service, and directory conservation efforts of Pacific and all other California telephone utilities. The OII was consolidated with Pacific's application and subsequently modified to limit the conservation issue to Pacific only. Following nineteen days of hearings, Pacific's rate increase request was submitted on November 20, 1978. No decision has been issued to date. On December 12, 1978, OII No. 5 was amended again, this time to permit the utilities, staff and interested parties to present evidence on the issue of whether the commission should deregulate yellow pages directory advertising, and if so, in what manner. Twenty days of hearings on the deregulation issue began April 3, 1979 and continued into July.

Other Directory Matters

There have also been activities outside the OII No. 5 proceeding with the aim of making directories smaller and more convenient, and saving directory paper. Pacific has filed four formal applications requesting permission to rearrange or split telephone directories in the metropolitan areas. These are sumarized below.

A-57980 sought authority to rearrange the San Mateo County and Palo Alto yellow page directories into three new directories effective with the 1980 issues. Decision No. 89734 (December 12, 1978) granted the application.

A-57981 requested authority to split the North Hollywood/Canoga Park yellow page directory into two new directories, and to move Sun Valley from the Glendale/Burbank yellow page directory into the new North Hollywood book. Decision No. 90098 (February 27, 1979) granted the application.

A-58227 requested authority to rearrange the Orange County and Orange Coast South yellow page directories into five new directories. No decision has been issued to date.

A-58789, filed April 6, 1979, requested authority to move Dublin and San Ramon from the Contra Costa County Central directory to the Livermore/Pleasanton directory. No decision has been issued to date.

The first three directory rearrangements are expected to result in less bulky directories and lower directory paper usage. All four rearrangements should improve directory usability for the public.

Mobile Radio Service

On July 17, 1979 the commission will begin hearing on OII No. 20, an investigation into the operations, facilities, etc., associated with mobile radiotelephone service provided by the Pacific Telephone and General Telephone of California. The major issues in OII-20 will be the technical aspects of Improved Mobile Telephone Service (IMTS) and the cost to mobile users to convert their radio equip-

ment to be compatible with PT&T's IMTS format. IMTS will provide direct dialing (operator not required) capability for the mobile radio user for both local and long distance calls. The IMTS system is scheduled to be in service at the end of 1979.

Centrex

In October, 1976, the commission issued its order of investigation, Case No. 10191, to determine appropriate costs and rates for Centrex service. Although all California telephone utilities were respondents in that proceeding, only Pacific Telephone and General Telephone offer Centrex service in California. Nineteen days of hearing were held during 1977 and 1978, and Decision No. 90309 was issued on May 22, 1979.

The primary issue of the proceeding involved determination of the proper cost methodology that should be used to determine service costs of Centrex. Proponents of several cost methodologies appeared before the commission, and the PUC adopted the recommendation of its staff that fully allocated costs be used to determine the basis for setting rates. Revised rates based on fully allocated costs were authorized by the commission resulting in an estimated $14.4 million annual revenue increase for Pacific. No changes in rates were authorized for Centrex service offered by General.

Extended Area Service

Seven Extended Area Service (EAS) applications of Pacific Telephone were investigated and approved by the commission. For a small increment added to the monthly service charge all toll calls to the neighboring exchange involved become local calls. All of these were processed without public hearings because they were strongly supported by the communities involved.

The following is a list of the exchanges for which EAS was approved:

Decision No.	Date	Exchanges
89126	7/25/78	Shasta/Weed, Shasta/Dunsmuir
89256	8/22/78	Emmigrant Gap/Alta
89255	8/22/78	Georgetown/Placerville West
89520	10/17/78	Earlimart/Delano
89718	12/12/78	Valley Ford/Sebastopol
89719	12/12/78	Bangor/Oroville
89766	12/19/78	Bradley/Paso Robles

Service to the Handicapped

Handicapped Centralized Assistance Points, or "HCAPS's", are now in full operation by both Pacific Telephone and General Telephone of California. Pacific has two such facilities, one in Northern California and one in the Los Angeles area. General has a single facility which serves all its subscribers in the state. These centers are reached by calling toll-free numbers and can communicate either by voice or by teletypewriter. They are open during normal business hours and provide all business office functions that can be transacted by telephone, for the benefit of handicapped subscribers, in particular the deaf. Assistance is also provided in meeting the special communication equipment needs of the customers. Persons who are subscribers to service from the other independent telephone utilities also may call the Pacific Telephone Centers and receive assistance in conducting business with their own operating company's offices.

Pacific Telephone now offers, on a monthly rental basis, two teletypewriter devices especially intended for use by hearing-impaired or speech-impaired subscribers. One device displays the incoming message as a series of illuminated characters, while the other prints the message on a small paper tape. The printer device is also offered by General Telephone. Both utilities offer these devices at a special reduced rate to certified handicapped users, in accordance with commission decision. The PUC is presently evaluating the possibility of providing additional services for the handicapped at reduced rates, subject to the identification of a method of meeting the costs thus incurred by the utility. It is expected that a decision on this matter may be forthcoming in the third quarter of 1979.

Both of the teletypewriter devices mentioned are also available for outright purchase from the manufacturer, and have been certified by the commission under General Order No. 138 as suitable for direct connection to the telephone network by an owner-subscriber.

Telephone Call Solicitation

In early 1978, the commission was informed there were being introduced to the market automatic dialing announcing devices which could be used by telephone solicitors to provide a recorded announcement or message to telephone subscribers. It was alleged that some of these instruments were programmed to dial telephone numbers in numerical sequence thereby reaching telephones with unlisted numbers as well as emergency lines, etc. It was also alleged that some of the instruments would automatically dial a number and automatically transmit a message when the receiving party answered the phone. Under these circumstances there was no possibility for the receiving party to request that the message not be given. It appeared that in some cases a recording could continue to tie up a customer's line for several minutes after the customer had hung up the phone. Under these circumstances there was the danger that a customer would be unable to place emergency outgoing calls because his line would be blocked by the incoming message.

As a result, the commission instituted a formal investigation into the subject. The staff made an investigation of available devices and their effects on the telephone system and placed this information in evidence along with recommended rules governing the use of these devices.

In September, 1978, the commission issued Decision No. 89397 which prescribed rules for the use of this equipment essentially as recommended by the staff. These rules provide that unless there is a prior agreement from the called party, the recorded message transmitted must be preceded with an announcement by a human operator. The operator must state the nature and length of the message, identify the calling organization, determine if the

called party is willing to listen to the message, and disconnect the equipment if the called party is unwilling to listen. In addition, the rules require use of the equipment in a manner such as not to create blockages on the telephone system and require notice to the telephone utility before connection to the network.

Bilingual Service

Bilingual services provided by telephone utilities in California consist of the Emergency Spanish Language Assistance Bureau (ESLAB) and emergency telephone numbers and dialing information in the foreign language in selected directories, public phone booths, and bill inserts. ESLAB is intended for emergency situations. It is in the public interest that disaster and emergency situations not be aggravated by delay in obtaining vital help.

Emergency Telephone Service

Throughout the year, the staff was involved in reviewing proposed tariffs for "911" emergency telephone service provided by the telephone companies to public safety agencies. Current law requires the statewide implementation of the emergency number "911" by December 31, 1985. Although the Department of General Services is the coordinator of the "911" program and responsible for disbursing the funds provided by a ½ of 1% tax on intrastate telephone charges, it is the role of the Public Utilities Commission to review proposed rates for this service. By June, 1979, significant progress had been made toward establishing a Pacific Telephone tariff for "Basic 911".

Federal Legislation

In March, 1979, in both the U.S. Senate and the House of Representatives, legislation was introduced to amend or replace the Communications Act of 1934. The Communications Act provides for regulation of interstate communications and also affects state regulation through its definition of the regulatory areas reserved to the states. Since the new bills would have a very substantial effect upon many areas of state regulation, the Communications Division, in cooperation with the Legal Division, made a very extensive analysis of those effects.

All three of the bills introduced (one in the House and two in the Senate) would remove from California the authority to regulate intrastate message toll telephone rates. The staff estimated that if present interstate rates were applied to intrastate toll, California ratepayers would have to pay approximately $400 million more per year for their toll calling within the state. Although interstate rates are lower than California rates at long lengths of haul, the preponderance of California calling is at distances less than 200 miles where intrastate rates are lower than interstate rates. The greatest increase would be at the short distances with increases up to 114% for a 3 minute call made over a 12 mile route.

Another area of concern was the proposal in all three bills to eliminate present separations and settlements procedures which now keep basic rates low. The staff estimates that under one version of the bill an annual rate increase of approximately $1 billion would be required in California exchange rates after several years. The other bills would have a less drastic effect and the House bill might even provide some additional support to intrastate rates.

Because of the adverse effect on California ratepayers, the commission wrote to the authors of the bills and the members of the California legislative delegation expressing the PUC's concern. Subsequently members of the staff have met with representatives of the professional staffs of both the House and Senate to discuss the bills. Our staff provided information which we trust will result in amended bills more beneficial to the average telephone ratepayer. The staff will continue its analysis of amended legislation to assure that the best possible bills are developed for the benefit of intrastate California ratepayers.

California Legislation

A bill supported by the commission, was introduced in the legislature to amend the Public Utilities Code to discontinue commission regulation and jurisdiction over radiotelephone utilities and the radiotelephone operations of the wireline telephone companies. The proposed legislation failed passage in this legislative session.

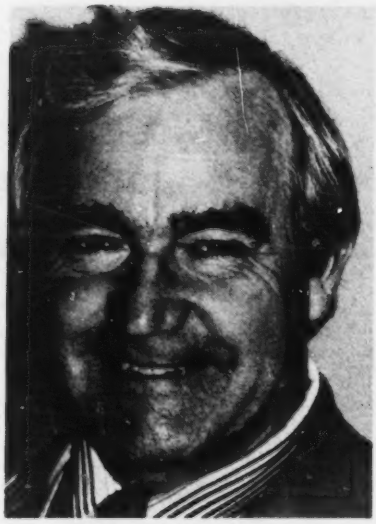
Federal Communications Commission

American Telephone and Telegraph Company (AT&T) filed a petition for rule-making with the Federal Communications Commission (FCC) on November 16, 1977 to amend the Uniform System of Accounts for telephone utilities to provide for changes in the accounting treatment for certain station connection costs which are included in account 232. The proposed accounting changes essentially would permit certain costs which are currently capitalized to be treated in the future as items of expense.

The PUC staff filed comments on the Petition for Rulemaking with the FCC on February 9, 1978. The commission staff pointed out that California is not opposed to the concept of changing over from a capitalization to an expense method of accounting, but believes the increase in revenue requirement, a $1.3 billion increase for the ten-year period 1979 through 1988, is of such magnitude that the proposed changes should be the responsibility of state regulatory agencies, such as this commission, that are responsible for intrastate rate structures.

The FCC is continuing to study the proposal.

UTILITIES DIVISION



WALTER J. CAVAGNARO
Director

(Walter J. Cavagnaro directed the activities of the Utilities Division during the 1978–79 fiscal year. He was succeeded by Parke L. Boneysteele as director on July 1, 1979.)

The Utilities Division advises the commission on matters pertaining to the regulation of the privately owned gas, electric, water, steam heat and sewer utilities.

The Utilities Division staff consists of professional, technical and clerical personnel who assist the commission in meeting its statutory obligations for the regulation of utility rates, services and facilities, certifications, safety and valuation of utility property.

Staff maintains up-to-date tariff schedules of all utilities subject to the jurisdiction of the commission, checks on compliance with commission general orders and suggests new orders when the need arises. It makes results of operation studies and prepares exhibits and testimony for presentation at public hearings. The staff is organized into five branches and clerical services.

Electric Branch

HAROLD T. SIPE
Chief Electrical Engineer

The Electric Branch staff is responsible for regulatory functions relating to safety, service, tariffs and rates of the privately owned electric utilities within the state. The scope and depth of work undertaken in the various staff studies and reports is responsive to the variety and complexity of proposals submitted by the utilities, initiated by the staff, or requested by the public and other interested parties. When appropriate, the staff investigates actions of utilities to insure equitable practices in meeting public needs for electric power at lowest possible rates consistent with sound operating procedures with regard to service and safety.

The staff also participates in all types of formal proceedings before the commission involving electric utilities and has taken an active part in proceedings before the Federal Energy Regulator Commission, formerly the Federal Power Commission, and the Department of Energy, wherein electric power matters of California consumers are involved. Liaison is maintained with the staff of regulatory agencies in other states and with federal and other agencies. Several branch staff members participate as committee members of the Western Conference of Public Service Commissions and the National Association of Regulator Utility Commissioners. The staff is also called upon to provide increasingly detailed and comprehensive review and recommendations on electric energy resource availability and use to the agencies and organizations mentioned above, as well as to the state Energy Commission.

Rate Revisions—Electric

Pacific Gas and Electric Company (PG&E) filed Application No. A-57284 on April 28, 1978 for a general rate increase of $161 million which would result in a 10.33% rate of return. On September 6, 1978 the commission in Decision No. 89316 authorized a $39.2 million increase in base rates which at the same time reduced Energy Cost Adjustment Clause (ECAC) rates by $208.6 million to fully pass through the benefits of a good hydro year. Such action continues the philosophy of rate stabilization so that the rate impact on consumers is minimized.

Southern California Edison Company (SCE) on October 7, 1977 filed under the new regulatory lag plan, Application No. 57602 for a $316 million general increase for an estimated 10.25% rate of return. In strict adherence with the regulatory lag plan, the commission on December 12, 1978 granted SCE authority to increase base rates so as to produce $124 million of increased revenues over those authorized in SCE's last general rate proceeding dated December 31, 1976. On the ECAC side, SCE applied on October 2, 1978 for a $71 million increase and was granted a $69.6 million increase by Decision No. 90488 on July 3, 1979.

San Diego Gas & Electric Company (SDG&E) filed Application No. 58067 on May 15, 1978 for a general rate increase of $23.7 million. The commission in Decision No. 90405, dated June 5, 1979, combined Applications Nos. 55627, 55628, and 55629, which were all filed on April 16, 1975 with Application No. 58067. The PUC granted a $32.4 million increase over interim Decision No. 89857, issued August 28, 1978, which authorized a $33.7 million increase to the combined operations. A portion of this increase represents the company's write-off of the Sundesert nuclear generating facility.

The Energy Cost Adjustment Clause allows utilities to file semi-annual applications to compensate for changes in

their fuel costs. A number of circumstances delayed processing of SDG&E's ECAC proceedings forcing the staff to combine two applications which resulted in a prolonged lag between the utility's expenditure for fuel and the recovery of those expenses in rates. Inadequate staffing in processing ECAC applications as well as general rate proceedings was the major cause of these delays.

Sierra Pacific Power Company (SPPC) did not file a general rate application in 1978 but filed for an ECAC reduction on March 2, 1979. On April 10, 1979, the commission issued Decision No. 90152 authorizing SPPC to reduce ECAC rates by $971,000.

Total puchased power reductions for CP National, Southern California Water Company, Bay Point Light and Power amounted to $692,257 reflecting lower costs of power sold to these utilities by the large utilities.

Other Proceedings

Other OII's cover tax expense treatment, sales adjustment mechanisms, construction requirements of electric utilities, and state procedures to comply with Articles set forth in PURPA, the Public Utilities Regulatory Policy Act.

On September 6, 1978 the commission opened OII-26 into PG&E's resource plans to investigate alternative electric generation and the resulting impacts on rate making. Hearings began with Phase 2 addressing cogeneration and auxiliary power in April. Repowering, wind generation

Construction is proceeding on the additional units of the San Onofre Nuclear Plant by Southern California Edison and San Diego Gas and Electric.

and other alternatives, maintenance, and PG&E's resource plan will be examined in OII-26 to be heard later in 1979.

On February 14, 1979, the PUC opened OII-36 to revise General Order 131-A, which sets forth rules for filing applications for certificates of public convenience and necessity for electric generating and transmission facilities, as well as rules requiring utilities to file certain reports regarding electric loads, resources, and transmission facilities. The revision is needed to update filing requirements and procedures to be used when a utility seeks a certificate of public convenience and necessity for a project which has been given Notice of Intention approval at the California Energy Commission. A hearing was held to discuss revisions, and the revised general order, to be designated 131-B is expected to be issued.

The first such Application, No. 48807, was filed by PG&E on April 16, 1979 for a CPCN to construct Potrero Unit 7, a combined cycle powerplant of 414 MW and associated transmission lines. Hearings are anticipated later in the year.

The commission, on May 8, 1979, opened OII-43 to investigate possible electric shortages due to shutdown of the Rancho Seco nuclear power plant and possible shutdown or delayed startups of other nuclear generating facilities, and to determine what emergency measures may be needed to provide necessary mutual assistance between electric utilities. At the request of commission staff, the state's larger private utilities, as well as the Los Angeles Department of Water and Power and Sacramento Municipal Utility District designated a California Utility Power System Coordinator and developed a load sharing plan, as well as obtaining additional out-of-state capacity.

Rule 14.1 was revised to increase conservation efforts, and a three stage plan, adopted by Decision No. 90427, dated June 19, 1979 to be used in times of capacity shortages. The plan emphasizes power pooling, conservation, voluntary and then mandatory curtailment of electric usage for the entire state during times when margins are below 5%.

Reporting requirements were established to keep the commission and staff informed, on a timely basis, of the state's electrical capacity situation, including unscheduled outages. Further hearings will be held at a later date to assess economic impacts and to assess the 1980 summer electrical situation, especially if PG&E's Diablo Canyon Units 1 and 2 are not on line at that time.

Meter Testing—Electric

In its annual report to the commission, each privately owned electric utility includes statistics concerning the number of meters in service and the number of meters tested during the year. Included is a tabulation of meters found to be inaccurate and the types of inaccuracies. The total number of meters tested includes new meters which are shop tested before installation and meters which are tested in the field. Field tests may be initiated by the utility or at the request of customers. A review of these statistics by the staff furnishes the basis for determining the adequacy and propriety of utility meter testing practices.

The following results of meter testing activities were reported by the electric utilities for 1978.

Total number of electric meters tested during the year	317,975
Total number of electric meters in service at end of year	7,291,271
Percentage of meters tested of meters in service	4.4%

Tariff Schedules

The electric utilities submitted 210 advice letters, containing 1,200 tariff sheets requiring the preparation of 115 commission resolutions. Of the 210 advice letters, 43 were to file contracts for service at other than filed tariff rates or conditions.

Pending Rate Proceedings

Ongoing rate proceedings on Time of Use (TOU) rates for PG&E, SCE, SDG&E, are nearing completion for electric customers using 1,000–4,000 kw. A decision in Application No. 57653 (SCE) is complete and a decision in Application No. 57666 (PG&E) is pending, both of which will serve as guidelines for other utilities working on TOU rate design. A final decision for SDG&E TOU rates was issued in June of 1979 after having been combined with the general rate Case, Application No. 58067.

On January 20, 1978, Applications Nos. 57818, 57820 and 57821 were filed by CP National Corporation for the Lassen, Weaverville and Needles districts. Extensive hearings were held in each of the localities and proposed findings of fact and conclusions of law have been submitted by the staff.

PG&E has a general rate case pending in 1979, Application No. 58545, filed December 26 1978. The original request was for $216.4 million of gross revenue increase. Staff exhibits have been submitted and the proceeding is on schedule in compliance with the regulatory lag plan. In addition in A-58891, filed May 25, 1979, PG&E has applied for an increase in ECAC rates of $131 million to reflect increases in residual oil prices.

SDG&E has submitted a revised application to A-58656 to reflect reductions in disallowed wheeling charges, oil sale losses, and adjustments in DWR sales. The original amount of $1.6 million requested has been adjusted downward to $760,000. Hearings are to be held in August of this year.

On January 30, 1979, by A-58605 Pacific Power & Light Company applied for a gross increase of $6 million in the California jurisdiction area. Staff exhibits are being prepared for this application.

Safety Activity

The commission's General Order No. 95, "Rules for Overhead Electric Line Construction," sets standards for the construction of overhead power and communication lines. In accordance with Sections 8037 and 8056 of the Public Utilities Code, the staff conducted field inspections

to determine compliance with the order. Approximately 273.2 miles of line were inspected. Inspection at 11,717 locations, resulted in 7,491 locations having 21,571 infractions; an average of 2.9 infractions per location cited.

The commission's General Order No. 128, "Rules for Construction of Underground Electric Supply and Communication Systems," provides standards for underground lines.

The electrical safety unit annually reports on electric line related accidents, occurring to employees and to the public generally. Annual totals of such accidents for the past ten years indicate that California is experiencing an increasing trend of serious and fatal accidents to the public, and a decreasing trend of such accidents to employees. The increasing trend of such accidents to the public reflect line contacts occurring upon erection of citizen's band base station antennae, handling of metallic irrigation pipe and crane operations in the vicinity of overhead electric lines.

Publicity to counteract such experience has been generated by the Electric Safety Unit and utilities.

Undergrounding

The commission on May 22, 1979 approved PG&E, SCE and SDG&E companies annual budgeted amounts for underground conversion projects. On the same date the commission re-opened Case No. 8209 to address several issues on undergrounding that had been brought to its attention. These issues include allocation of funds for conversion of existing overhead lines to undergound under Tariff Rule No. 20, and further consideration of conditions for granting exceptions to the mandatory undergounding provisions of Tariff Rule No. 15.

Fuel Oil Cost

As a result of the wet year in fiscal year 1977–78, fuel costs continued low through 1978 resulting in further ECAC rate reductions for PG&E. Southern California utilities are less sensitive to hydro conditions, however, and their rates increased slightly. Due to additional power purchased from Utah, Sierra Pacific was also able to reduce its rates early in 1979.

This brief respite appears to be over. Fuel costs and ECAC rates of the three major California electric utilities are expected to increase moderately during the first part of next fiscal year. Because of the current oil shortage and OPEC price increases, sharp rate increases will probably be required during the latter part of fiscal year 1979–80.

Load Management

Staff load management activities were implemented to carry out the commission's orders promulgated by Decision No. 85559, dated March 16, 1976, in Case No. 9804. This case, an investigation on the commission's own motion into electric utility rate structures and changes that should be made to encourage conservation of electricity in the State of California, was undertaken pursuant to the request of the Legislature in Assembly Concurrent Resolution No. 192.

The term "conservation of electricity" was construed to include the efficient use of existing generating resources so as to postpone the need for construction of additional expensive generating equipment.

Decision No. 85559, as modified by Decision No. 86543 dated October 26, 1976, ordered various load management activities as follows:

Category I: Mandatory time-of-use rates for all customers having electric demands above 500 kW. Implementation was prescribed in three steps starting with the largest customers for whom suitable metering was available and working down to the smaller customers.

Category II: Experimental TOU rates for groups of customers with demands below 500 kW to investigate cost-effectiveness of the TOU concept to the smaller customers.

Category III: Load deferral experiments to investigate cost-effectiveness of various equipment and techniques for reducing system load by temporary interruption of service to water heaters and air conditioners compressors for both commercial and residential installations.

In August of 1976, the Federal Energy Administration, now the Department of Energy (DOE), agreed to assist in California's comprehensive load management/rate structuring analyses by sponsoring the Electric Utilities Demonstration Project (EUDP) to be jointly managed by PUC and the California Energy Commission (CEC). Nine of the 24 EUDP experiments are Category I; 6, Category II; and 9 Category III.

Although EUDP was to be a three-year project, federal funding was discontinued after the second year. Continuing PUC staff involvement is necessary, however, to pursue to completion the load management measures and experiments required by Decision No. 85559.

According to the original time scale established by Decision No. 85559 and Decision No. 86543, the Category I TOU rates should all be in effect by this time. Various factors have combined to delay total implementation including the Decision No. 85559 order that ". . . proposals shall include a consideration of the utilization of various metering devices or other devices for load management."

These are: procurement of suitable meters in sufficient quantities, the need to gain experience with each tier of TOU rates before implementing the next, and customer acceptance problems and petitions for stays or rehearings that have delayed implementation of some rates for as much as a year.

First tier TOU rates; i.e., for customers with demands above 4,000 to 5,000 kW (depending on the utility), have now been in effect for from 1½ to nearly 2½ years for the three major electric utilities. Second tier TOU rates for customers with demands above 1,000 kW have been approved for SCE and SDG&E and are in the final stages of approval for PG&E. Hearings are about to begin on the third tier applications for TOU rates for customers with demands above 500 kW. PG&E has installed solid state meters for half of the 500 to 1,000 kW customers. All

other customers and utilities use magnetic tape recording meters.

Time-of-use rates for industrial customers have been in use for long enough to provide a reasonable basis for evaluating their effectiveness. The responses to TOU rates have been quite varied—all the way from virtually complete vacating of the on-peak period by individual customers to no change in consumption pattern. In general, response seems to have been small, but significant. PG&E experienced 2.0% demand reduction in summer, 1.3% in winter. SCE showed average workday on-peak demand decreases of 1.56% and 0.61% for summer and winter, respectively, but a statistically insignificant (0.16%) decrease on monthly peak days and slight increase in demand on the annual system peak day. SDG&E reported a 2.73% reduction in coincident (billing) demand. The demand reductions for the three companies amount to about 45 MW in summer and 26 MW in winter.

SDG&E derived a benefit/cost ratio of 20 to 1 and concluded that their TOU schedule can be considered to be a cost effective program by a considerable margin. Likewise, PG&E concluded that the TOU rates for the large industrial customers are cost effective because these customers already had appropriate meters. By the same reasoning, the conclusion that the SCE TOU rates are cost effective seems appropriate although SCE did not make a specific statement to that effect.

Category II experiments involve about 2,000 voluntary commercial and large residential customers. Principal issues are incentives needed to gain customer participation, on-peak to off-peak rate ratios required to induce alteration of the customer's consumption patterns, suitable metering for low demand customers and cost effectiveness. The six EUDP experiments in this category are either in progress or awaiting equipment deliveries. Rate schedules have been approved for three agricultural TOU experiments not in the EUDP program.

Category III experiments are in progress to test for effectiveness and acceptability various means and techniques for reducing residential and commercial load during the peak load hours on days when particularly high system loads are expected. From preliminary experiments it appears that cycling of air conditioner compressors is more effective than water heater cycling and that cycling (turning off the compressors) more than 7½ to 10 minutes per half hour results in an unacceptable discomfort to customers. The experiments now in progress or being implemented are designed to compare suitability of various control techniques and equipment, the need for participation incentives, effectiveness in different climate zones and cost effectiveness. Experiments using telephone facilities for transmitting control signals also offer the opportunity for remote meter reading and application of TOU rates. Some 3 MW of capacity savings are available through air conditioner cycling in California on days when temperature exceeds 100° F.

Interruptible rates offered by the major utility companies provide a substantial discount in on-peak rates to customers who agree to reduce load to an established level when called upon to do so. Nine customers within the state with a potential for about 1,250 MW load reduction have contracted for this service and negotiations are continuing to obtain other participants.

Cogeneration

Cogeneration is the sequential generation of electrical or mechanical power and useful heat from the same fuel source. This process can provide 30% or more of fuel savings over conventional electrical generation. There is a substantial potential for development of cogeneration in California, and hence a substantial potential for energy conservation.

One of the barriers perceived by cogenerators was the standby rates charged by the utilities. The commission has approved, as a result of meetings by the staff with utilities and cogenerators, substantially lower standby rates to be charged to cogenerators.

The PUC has undertaken an investigation of the entire range of options available to the major utilities and its customers for providing energy services, whether through energy conservation or through traditional or alternative supply technologies. Order Instituting Investigation (OII) No. 26, has been issued to conduct such an investigation of PG&E's resource plan. Cogeneration can be a significant component of a utility's supply plan. The hearings will provide a vehicle to resolve issues concerning the payments for firm and excess power sold to a utility, and arrangements for interconnection of facilities of the utility and a cogenerator.

The Federal Energy Regulatory Commission (FERC), pursuant to Title II of the Public Utility Regulatory Policies Act (PURPA) of 1978, will establish rules regarding the above-mentioned issues by November 8, 1979. Staff is providing comments to FERC. The Department of Energy, via the California Energy Commission, is providing funds for staff work on the development of rates and other issues related to cogeneration.

Marginal Costs

It is necessary to provide marginal cost information to consumers to promote efficient use of scarce resources. The goal is to provide prices (rates) which reflect the change in costs resulting from a change in consumption (marginal costs). The consumer must then face the resource cost of consumption decisions as these decisions are made.

The commission is pursuing the development and use of marginal cost data in current rate proceedings and by participation in the Marginal Cost Pricing Project. Marginal costs have been calculated and considered in five general rate increase rate proceedings: Application No. 57284 (Pacific Gas and Electric), Application No. 57602 (Southern California Edison), Application No. 58067 (San Diego Gas & Electric), Application No. 58545 (Pacific Gas and Electric) and Application No. 58602 (Pacific Power & Light). Decisions have been issued in the first three of these proceedings (Decisions Nos. 89316, 89711 and 90405, respectively). Decision No. 89711 says of the use of marginal costs:

". . . the rates to be authorized more fully reflect, than has been done in previous decisions, the concept of marginal cost, and the marginal costs developed in this proceeding. Marginal costs are the one set of costs which, when translated into prices, serve to promote the most efficient use of scarce resources and most usefully indicate to consumers the costs they are imposing on the system. As we stated in D. 85559, 'Conservation in the sense of efficient allocation of electricity will be the keystone of the rate structure.' Our movement in the direction of marginal cost pricing represents a major effort in the pursuit of conservation and in promoting the most efficient use and allocation of resources."

Marginal cost data and principles are also being used to develop and implement time-of-use rates for large commercial and industrial customers. Further, the application of marginal costs in determining the rates, the utility should pay to purchase cogenerated power is being explored in Order Instituting Investigation No. 26 (an investigation into the resource alternatives for Pacific Gas and Electric).

The Marginal Cost Pricing Project is a research and implementation project funded by the United States Department of Energy to expand upon existing marginal cost efforts. Project participants are the PUC, California Energy Commission, five utility companies and several trade associations and special interest groups. Research is progressing on several existing and new approaches to the calculation of marginal costs and their use in rate design.

Public Utility Regulatory Policies Act of 1978 (PURPA)

PURPA requires the state rate-making authorities to consider six electric ratemaking standards including cost of service pricing, elimination of declining block rates, and implementation of time-of-use rates, seasonal rate and load management techniques. In addition, the PUC must consider adopting regulatory standards concerning master metering, automatic adjustment clauses, information to consumers, termination of service, and advertising.

Besides establishing the standards, PURPA sets forth in other sections areas in which further actions by the PUC or other groups will be required. Of primary concern to the Electric Branch are PURPA requirements that (a) lifeline rates be considered, (b) annual reports be filed for the next ten years, (c) a procedure be established for reimbursing the expenses of consumers intervening on PURPA issues, and (d) utilities submit to FERC biannually cost of service and load data. In addition, PURPA provides for several studies by DOE and FERC and contains a provision for grants to the state commissions for implementing PURPA.

Staff of the Electric Branch has been involved in PURPA-related activities since the Act was signed on November 9, 1978. Specifically, the staff has worked with the Legal Division in submitting to DOE formal comments on proposed regulations concerning the utilities' data filing requirements, the annual reports, DOE responsibilities, and PURPA grant programs. Also, the staff developed a recommended schedule for implementing the PURPA standards, presented testimony at DOE hearings on PURPA, is participating in an investigation on consumer reimbursement, and has cooperated with the National Association of Regulatory Utility Commissioners in planning for the utilities' compliance with the data requirement.

Street Lighting

The Rate Design Unit of the Electric Branch in cooperation with the California Energy Commission has been pursuing a program to promote energy conservation in street lighting. Utilities have been ordered to stop installing incandescent and mercury vapor street and outdoor lights and to consider programs to convert existing lights to more efficient sodium vapor lamps. Street lighting tariffs have been scrutinized to make sure that rates reflect the lower operating costs of the more efficient customers to convert from less efficient and more costlier types of lighting.

Pacific Gas and Electric Company initiated a four years conversion program on July 1, 1978. As of July 1, 1979, 45,908 lights have been retrofitted, resulting in a demand reduction of 5,958 kw and annual energy savings of 24,-839,268 kwh. When completed, savings of 31,700 kw and 130,000,000 kwh per year are expected, or the equivalent of 200,000 barrels of oil.

Southern California Edison Company began its program in April 1978 doing the most cost effective conversions first. The company plans to initiate a full scale five year program that would convert all of its 350,000 lights to high pressure sodium vapor. From April 1978 through the first quarter of 1979, 5,342 lights have been converted, saving 1,087 kw and 4,213,000 kwh per year.

San Diego Gas & Electric Company has plans to implement its conversion program.

Gas Branch

GREVILLE L. WAY
Chief Gas Engineer

The Gas Branch administers the rates, safety, service and certification of 15 privately owned utilities distributing gas and steam heat in California. It also provides technical assistance to the commission on national affairs affecting the state's gas supplies. Participation with federal agencies has been extensive this year as the commission prepares to function under the National Energy Act.

Regulatory work performed by the branch staff includes designing rates and processing utility advice letter filings concerned with tariff changes; investigating utility requirements, usage and gas distribution; defining and enforcing gas service and safety standards, including monitoring meter accuracy and investigating gas accidents; reviewing the adequacy of utility gas storage, transmission, distribution and processing facilities; and monitoring of compliance with Commission decisions and regulations.

The branch staff also prepares testimony to present at formal proceedings before the commission, and participates in the affairs of the National Association of Regulatory Utility Commissioners.

Gas Rate Structure

The continuation of multi-tier inverted gas rate structures and lifeline rates are the main features of California's residential rates. Moreover, Pacific Gas and Electric recently adopted two-tier lifeline rates, which coupled with low customer charges, should further encourage conservation, even among those residential customers who use only lifeline quantities of natural gas. The natural gas rates to industrial customers are maintained at levels approximating the cost of alternative fuels to encourage conservation while avoiding significant customer switching to alternative fuels (such as No. 2 and No. 6 fuel oil).

Bill Form Modifications

Although inverted gas rates have been in effect since July 1977, many customers are not fully aware of how inverted rates work, and can not see the benefits from individual conservation efforts. Southern California Gas Company has filed an advice letter with the commission that would revise their current bill form. The revised bill form will give the customer enough detailed information to understand the inverted rate structure and verify monthly bill calculations. Other gas utilities have also been ordered to revise their current billing forms, and are now developing more informative bills.

Adjustment Mechanisms

The Gas Cost Adjustment Clause (GCAC) and Supply Adjustment Mechanism (SAM), with their resepective balancing accounts, are the two major adjustment mechanisms which have been adopted by the commission. Whereas SAM assures that the utility neither exceeds nor falls short of its authorized gas margin as a result of fluctuations in gas supply and sales, GCAC assures that the gas margin is not affected by fluctuations in gas prices paid to suppliers. To simplify accounting the utilities have proposed combining GCAC and SAM into a single mechanism with a single balancing account. The commission has already adopted a combined mechanism for Pacific Gas & Electric Company. Combined procedures will also be considered for other gas utilities during the coming year.

Highlights

The commission and its staff dealt with the problems of the rising cost and declining supply of natural gas by encouraging gas conservation and the use of alternate energy sources (such as solar energy). The Gas Branch staff also actively encouraged the utilities to acquire additional supplies of natural gas.

Metering of Multi-Family Dwellings

In Decision No. 90062 dated March 13, 1979, the commission modified a previous decision, (Decision No. 88651) and ordered California gas utilities to "file tariffs to provide for separate metering by the utility or for individual unit submetering by the developer, owner, or operator . . ." of new multi-unit residential facilities. In this way, all customers in new apartments or mobile home parks who use gas directly in their dwelling units will receive utility bills based upon their gas consumption, producing a strong incentive to conserve gas. The Gas Branch staff also continued to oversee the gas utilities' programs to encourage the conversion to separate metering of units in existing master metered multi-unit residential facilities.

Gas Rates for Solar Energy Devices

Energy conservation has been an important goal of the Public Utilities Commission and the regulated utilities for the past several years. With the recent worsening of the energy crisis, it has become even more important. With proved reserves of domestic natural gas declining, it becomes a matter of economic and social good sense to conserve this valuable resource.

In 1979 the PUC presented an 18 point conservation program to all California utilities which stated that one means of conservation was to use solar energy for domestic water and space heating. Because of California's dependence on oil and natural gas and the increasing costs and reduced supply of these fuels, the PUC believes that it is important to rapidly implement cost-effective solar applications.

To assist the utilities in developing the 1979 solar program, the Gas and Electric Branches are studying various sample tariff proposals for gas and electricity used as backup fuels for solar systems. Among the proposals presented in a recent gas cost offset proceeding was a "solar rate" for gas that would provide a fixed cents per therm discount off the lifeline rates to homes or residences with approved solar equipment. The proposed rate was 5.0 cents per therm, restricted to the lifeline volumes for each customer.

The proposed solar rate would provide an additional incentive, along with tax credits, to install solar hot water or space heating equipment. The proposed rate would also apply to commercial and small industrial gas users, with a therm limit to which the discount would apply, similar to the lifeline amounts for residential customers.

Gas Supply and Requirements Team

The Gas Supply and Requirements Team (GSRT) is responsible for regulatory functions relating to natural gas supplies and requirements. The GSRT staff evaluates the need for and timing of supplemental gas supplies, both long and short term, and formulates measures to alleviate gas service curtailments caused by the delay or loss of such supplies. As part of these responsibilities, the GSRT maintains close surveillance over both in-state and out-of-state gas supply projects through frequent contacts with California natural gas distribution utilities, the interstate natural gas pipeline companies and foreign supply importers which serve California. The GSRT is also responsible for

natural gas end-use priority evaulations and the administration of filings made under the PUC approved Gas Exploration and Development Adjustment (GEDA) procedures.

Another function of the team is to evaluate applications, prepare exhibits and present testimony before the Federal Energy Regulatory Commission (FERC), the Economic Regulatory Administration (ERA) and other federal agencies, on technical aspects of proceedings which affect the supply and cost of gas to California.

One such proceeding is the consolidated group of dockets before FERC and ERA to construct the Alaskan Northslope gas pipeline project, and its "prebuild" proposal to import additional Canadian gas to California and other states. Hearings began in June 1979 under an expedited three-phase procedural schedule prescribed by the FERC, which is intended to allow a final decision by December 31, 1979. The PUC technical and legal staffs will be active in all phases to help establish that Prudhoe Bay and Canadian incremental supplies will be compatible in volume and cost with other potential supplemental supplies destined for California.

Gas Exploration and Development Adjustment

By Decision No. 88121, issued November 22, 1977, the commission authorized a Gas Exploration and Development Adjustment (GEDA) procedure for Pacific Gas and Electric and extended the authorization of a GEDA procedure for Southern California Gas that had previously been approved by Decision No. 81898. Under these procedures, the utilities are permitted to recover, through increased rates, the costs of their gas exploration and development activities. During the 1978–1979 fiscal year GEDA activity was centered in four areas: Alaska Cook Inlet, Southwestern United States, Rocky Mountains and California.

Gas Use Per Residential Customer

Average temperature adjusted residential gas consumption by customers of the three largest gas utilities declined slightly from 91.2 thousand cubic feet (Mcf) per customer in 1977 to 91.0 Mcf per customer in 1978, a reduction of 0.2%. This compares with a 1975–76 decline of 0.1% and a 1976–77 decline of 6%. Pre-1973 consumption had been climbing by about 1000 cubic feet per customer per year up to a peak of about 104 Mcf during 1972 and 1973.

The 6% drop in 1976–77 consumption probably reflected lower hot water consumption associated with the drought conditions during that period. The 1977–78 decline could be attributed to continuing conservation efforts and higher gas rates.

Revenue Revisions

After public hearings, the commission approved over $940 million in gas rate increases during the fiscal year. All rate increases were allowed pursuant to decisions made in the 1978–79 fiscal year. In addition, another $24.7 million in rate increases was derived from the prior year's decisions allowing tracking. The annual adjustment for Gas Exploration and Development (GEDA) accounted for a revenue reduction of $4.8 million, and an additional $40.2 million reduction was filed by the utilities to offset reduced expenses realized by the reduction in ad valorem taxes after the passage of Proposition 13. The net result was a total revenue increase of $919.7 million for the fiscal year. Total increases granted by the commission represented 75.4% of the amounts requested by the utilities.

In addition to the formal rate applications, two PUC regulated liquefied petroleum gas companies filed over $32,100 in rate increase requests under the advice letter procedure. Decreases totaling approximately $14,000 were also effected through LPG fuel escalation clause formulae, bringing the net revenue effect of the rate increases to $18,100.

After public hearings, the commission approved rate increases for one steam utility company in the amount of $199,500, which represented 61.5% of the amount requested. The two steam utility companies also filed for rate decreases totalling $113,600 to reflect reduced expenses due to reduced ad valorem taxes. Additional rate reductions totalling $334,300 were realized through reduced fuel cost for a net rate reduction of $268,400 in steam revenues.

Summary of Refunds

By Decision Nos. 87587 and 88261, the commission authorized Southern California Gas Company and Pacific Gas and Electric Company to place all refunds received from out-of-state supplies into the Gas Cost Balancing Account (GCBA) to offset future cost increases. As a result, there were no refunds made by any gas utility during the fiscal year 1978–79.

Tariff Schedules

During the year, 7 of the 14 gas utilities in California submitted 165 advice letter filings, of which 36 "tracking" filings resulted directly from increases in the cost of out-of-state supplies. The advice letters contained 631 separate tariff sheets. These gas utility filings also included 53 contracts for service at other than filed tariff rates or conditions.

The two steam utility companies in California submitted 11 advice letter filings of which 2 resulted from the increased cost of fuel for steam operations. The advice letters contained 31 separate tariff sheets.

Pending Rate Proceedings

There were 17 gas rate applications pending final decisions at the end of the fiscal year 1978–1979. Three applications were for general gas and steam rate increases, 11 were for gas rate increases to offset higher gas costs and

three were for adjusting gas margins through the SAM (Supply Adjustment Mechanism) procedure.

Heating Value of Natural Gas

Natural gas delivered to California consumers is produced from various sources within the state, from western and southwestern United States, and from Canada.

The average heating value of California source gas for 1978 was 981 Btu for northern California and 1,076 Btu for southern California. The average heating values for out-of-state gas ranged from 1,030 Btu to 1,083 Btu.

Meter Testing

General Order No. 58-A requires periodic testing of customers' gas meters. Regulated gas utilities reported that 323,202 meters were tested during 1978, representing 4.6% of the meters in service at year's end.

Safety Activity

Enforcement of the commission's General Order No. 112-C, "Rules Governing Design, Construction, Testing, Maintenance and Operation of Utility Gas Gathering, Transmission, and Distribution of Piping Systems," required staff review of 25 pipeline proposals. These included applications for the construction of two new pipelines, the uprating of 18 present systems, the reconstruction of 4 pipelines, and the downrating of one existing facility.

The staff conducted 47 field investigations of gas utilities to ensure utility compliance with the sections of General Order No. 112-C pertaining to gas system operation, maintenance and corrosion control. Sixty-eight gas accident investigations were also conducted to determine the accidents' causes and to identify remedial actions. In addition, 24 inspections were made to ensure compliance with General Order No. 94-B, "Rules Governing the Design, Construction, Operation, Maintenance, and Inspection of Gas Holders and Liquid Hydrocarbon Vessels."

At the end of 1978, the commission filed a certification with the U.S. Department of Transportation under Section 5(a) of the Natural Gas Pipeline Safety Act of 1968. The certification stated that the PUC has adopted and enforces the applicable federal pipeline safety standards. The Act requires that all gas incidents involving fatality, personal injury requiring hospitalization, or property damage exceeding $1,000 be reported to the Office of Pipeline Safety Operations of the Department of Transportation by the certified state agencies. During the fiscal year 1978–79 29 injuries and one fatality involving gas accidents were reported.

Other Formal Proceedings

Ten applications were filed during the past fiscal year by the gas utilities. Six of these were requests for the issuance of certificates of public convenience and necessity, four of which were still pending at the end of the fiscal year. There was an application, still pending, for permission to discontinue the operations of a small gas utility and abandon its system. Two other pending applications dealt with modifying General Order No. 112-C to conform with changes in the federal standards.

There were four formal complaints by customers against their supplying gas utilities. Two of these cases were decided. In addition, there was one investigation instituted on the Commission's own motion which investigation deals with procedures for terminating gas service.

Legislative Mandates

Assembly Bill 2273

Expands lifeline service to include space cooling as an eligible end use.

Section 739 of the Public Utilities Code was amended to read "(a) The commission shall designate a lifeline volume of gas . . . which is necessary to supply the minimum eneregy needs of the average residential user for . . . space heating and cooling . . ." During the past fiscal year, two major California gas utilities revised their gas tariffs to incorporate lifeline allowances for space cooling in appropriate parts of their service areas.

Assembly Bill 2615

Expands lifeline service to include life support equipment as an eligible end use.

Section 739 of the Public Utilities Code was amended to read "(b) The commission shall also develop a schedule which designates a lifeline volume of gas . . . necessary to supply the minimum energy needs of customers dependent on life support equipment . . . ." The amended Code then defined such equipment.

AB 2615 also expanded Section 739(b) to ". . . include a higher lifeline energy allocation for paraplegic to quadriplegic persons . . . ."

During the past fiscal year all three major California gas utilities filed advice letters with the commission to establish additional lifeline allowances for life support equipment and increased hearing allowances for paraplegic and quadriplegic persons.

FERC Gas Proceedings

The PUC staff continued its work on Federal Energy Regulatory Commission (FERC) gas matters during the 1978–79 fiscal year, concertrating on FERC applications by the interstate pipeline companies serving California. The applications generally reflected efforts of the pipeline companies to:

(1) obtain new sources of gas to replenish dwindling domestic supplies;

(2) pass on to the ultimate ratepayers the sharply rising cost of gas both at the wellhead and at point of import from other countries; and

(3) develop gas storage facilities.

FERC rule-making proposals for such matters as priorities for natural gas curtailments and provisions for emergency natural gas purchases required participation by the staff. A major procedure for the setting of interstate natural gas producer rates that received considerable attention in the fiscal year was the Natural Gas Policy Act, which set nationwide natural gas producer rates for the future, superseding the Federal Power Commission's Opinion No. 770-A and predecessor opinions for flowing and new gas wellhead prices, both interstate and intrastate.

The staff also participated in FERC settlement conferences pertaining to large overriding royalty payments now being made by El Paso Natural Gas Company to producer leasehold interests. The larger overriding royalties were triggered for some of the production from wells owned by El Paso Natural Gas Company by an arbitration award to Sun Oil Company in 1973. Subsequent increases in these overriding royalty payments resulting from "settlement" agreements will have caused all such overrides to total over $300 million in excess of reasonable royalty levels, through 1979. The staff's position is that these overriding royalties are really producer prices and should be under the jurisdiction of the FERC. If the Administrative Law Judge's initial decision prevails, holding that the payments are jurisdictional, it will have the effect of reducing these costs to California ratepayers, now amounting to over $100 million annually.

The staff is taking an active role in the Alaskan North Slope gas pipeline project, involving a $10 to $15 billion estimated capital investment and nearly 4,800 miles of new and expanded pipeline in Alaska, Canada and the lower 48 states, in an effort to keep California's future gas rates from the project at the lowest reasonable level.

Natural Gas Purchases

Total purchases of natural gas declined for the seventh consecutive year in 1978, while the volume of purchases of California-produced gas fell for the tenth successive year and of out-of-state gas for the sixth successive year.

The following tabulation sets forth the historical volumes and ratios of annual gas purchases by California utilities for the calendar years 1969–78, together with estimated annual purchases projected for the period 1979–82.

NATURAL GAS RESERVES IN CALIFORNIA [1]
(Millions of Cubic Feet)

Item	Reserve Estimate as of January 1, 1978 [2]
Oil-Well Gas	
Northern and Central California Fields	34,400
San Joaquin Valley Fields	2,001,000
Coastal Fields	399,000
Los Angeles Basin Fields	312,000
Subtotal Oil-Well Gas	2,746,400
Dry Gas	
Northern and Central California Fields	1,620,000
San Joaquin Valley Fields	247,600
Coastal Fields	15,000
Los Angeles Basin Fields	2,300
Subtotal Dry Gas	1,884,900
Subtotal Native Gas Reserves	4,631,300
Underground Storage Gas	411,607
Total Gas Reserves	5,042,907
California Production as a Percent of Total Gas Reserves	5.65%
Average Life of Gas Reserves in Years at Present Rate of Use	17.69

[1] Does not include California Federal Offshore Gas Fields.
[2] 1978 data revised. Source: Department of Conservation, Division of Oil and Gas.

NATURAL GAS PURCHASES
California and Out-of-State Gas Sources
Calendar Years 1969 Through 1982

Year	California [1] Billions of Cubic Feet	California [1] Percent of Total	Out-of-State [2] Billions of Cubic Feet	Out-of-State [2] Percent of Total	Total Billions of Cubic Feet	Total Percent
Historical 1969–1978 [3]						
1969	460.0	23.8	1,475.0	76.2	1,935.0	100.0
1970	422.0	21.2	1,568.4	78.8	1,990.4	100.0
1971	383.2	18.8	1,655.2	81.2	2,037.4	100.0
1972	326.5	16.1	1,695.9	83.9	2,022.4	100.0
1973	296.0	15.3	1,644.8	84.7	1,940.8	100.0
1974	193.0	10.9	1,574.6	89.1	1,767.6	100.0
1975	173.4	10.2	1,528.4	89.8	1,701.8	100.0
1976	171.9	10.5	1,458.8	89.5	1,630.7	100.0
1977	163.1	10.3	1,424.9	89.7	1,588.0	100.0
1978	159.6	10.7	1,331.9	89.3	1,491.5	100.0
Projected 1979–1982						
1979	171.9	10.7	1,435.9	89.3	1,607.8	100.0
1980	145.4	9.4	1,408.4	90.6	1,554.8	100.0
1981	131.4	8.7	1,375.7	91.3	1,507.1	100.0
1982	119.7	8.2	1,349.8	91.8	1,469.5	100.0

[1] Historical data included small volumes of gas either purchased from producers or obtained from city-owned wells by a municipal utility (City of Long Beach) and a small amount of gas purchased from California producers by Southern California Edison Company for use in electric generation. Otherwise, gas used by producers and direct sales by producers are not included.
[2] Includes Federal Offshore gas.
[3] Historical data is furnished by utilities in annual reports to the Commission, or, in the case of municipalities, on request.

HYDRAULIC BRANCH

JOHN D. READER
Chief Hydraulic Engineer

The Hydraulic Branch is responsible for implementing and enforcing the regulatory functions relating to all privately owned public utility water systems and sewer systems. Rate proceedings for the 19 major water utilities are the responsibility of the Operations Division, however. These functions include water supply requirements, water availability and conservation, rate investigations, service supplied to customers, and the certification, status and extent of dedication of service area. The regulatory functions relating to sewer utilities include service availability, rate, service certification, status and dedication.

The responsibilities and resulting workloads of the Hydraulic Branch are separated into three sections. Sections 1 and 2 are both located in San Francisco. Section 1 is responsible for water conservation statewide and all matters relating to rates, service and certificates in northern California. Section 2 is responsible for tariff matters statewide and all matters relating to rates, service and certificates in central California. Section 3, located in Los Angeles, is responsible for all rate, service and certificate matters south of the northerly boundaries of Inyo, San Luis Obispo and Kern Counties.

Regulatory functions relating to water utilities include general rate proceedings either by formal application or advice letter filings, applications for certificates of public convenience and necessity to construct, establishment and enforcement of service standards and rules, investigation of formal and complex informal complaints and responding to customer inquiries.

Water Regulatory Lag Plan

During the past several years the numerous regulated water utilities have filed so many rate increase requests that the staff was unable to process the proposed rate increases on a timely basis. The commission directed the staff to develop revised procedures whereby the regulatory lag time could be substantially reduced. These revised procedures, known as the Water Regulatory Lag Plan (WRLP), were adopted on an experimental basis, by the Commission through Resolution No. M-4703, April 24, 1979.

The development of the WRLP was primarily a joint effort by the Hydraulic Branch and the Operations Division. The Hydraulic Branch developed the WRLP to process rate increase requests by advice letter for Class B utilities having gross annual revenues not exceeding $500,000 and for Class C and Class D utilities. The Operations Division developed the WRLP to process rate increase requests by application for Class A utilities and by advice letter for Class B utilities having annual gross revenues exceeding $500,000 and for districts of Class A utilities having gross annual revenues not exceeding $750,000. The WRLP is also applicable to rate increase requests by sewer utilities.

The objective of the WRLP is to complete the processing of advice letter type general rate increase within 180 days after the filing date. For general rate increases by formal application (generally the Class A utilities) the WRLP contemplates completion of processing within 210 days after the filing date. To meet these objectives the staff developed detailed work paper formats in which the utility will provide all basic data required by the staff. The keystone to the success of the WRLP lies in the fact that the utility must provide all required data before the filing date is established and processing initiated by the staff. Under prior procedures the staff, during the course of processing, frequently found it necessary to await additional data from the utility before processing could be continued or resumed.

The advice letter rate increase processing program, established in 1967, strengthened and extended in succeeding years, continues to play a major role in the commission's rate program. When instituted it was applicable only to utilities having gross revenues under $25,000 annually. Due to the success of the program, it has been extended so that it now applies to utilities having annual revenues up to $750,000.

Four years ago a new advice letter program was developed to process offset rate increases without the necessity of processing a complete general rate increase. This program applies to such cost increases as purchased power, purchased water, payroll, and payroll taxes. During the past fiscal year the Hydraulic Branch processed a total of 17 such increases which were subsequently authorized by the Commission.

Number of Utilities

The commission exercises regulatory jurisdiction over privately owned water utilities in 56 of the 58 California counties and over privately owned sewer utilities in 14 California counties. As of June 30, 1979, there were 354 water and 18 sewer utilities under the jurisdiction of the PUC, compared with 363 water utilities and 18 sewer utilities at the end of the previous fiscal year. This represents a loss of nine utilities all of which were water utilities. The changes in the number of utilities, by type of change, are summarized as follows:

Transferred to other public utility water companies	2
Sold to municipalities (water)	1
Sold to county, public entity, or municipal water district (water)	6
Total	9

The Hydraulic Branch participated in the following types of formal actions which resulted in commission decisions during the fiscal year 1978–79:

Modification of Certificates	No.
Water	4
Sewer	1
Abandon Service	
Water	2
Transfer Certificates, Utility Property	
Water	35
Sewer	2
Approve Utility Agreements	
Water	21

Rates—Hydraulic Branch Utilities	
Water	13
Sewer	1
Rates—Major Water Utilities Applications Processed by Operations Division (Rate Design Only)	14
Formal Complaints	56
Commission Investigations	19
Miscellaneous	1

The Hydraulic Branch is also responsible for the administration of compliance with commission decisions, development and administration of commission rules governing water and sewer service, and the administration and interpretation of tariff schedules.

The Hydraulic Branch is responsible for ascertaining the capability of privately owned water companies to provide adequate volume and pressure to new subdivision customers, for the purposes of both consumption and fire fighting. It then certifies, to the Department of Real Estate, this capability which is requisite for that department to confer its final approval on a new subdivision.

As a general rule, in the post drought period, water utilities under the jurisdiction of the commission were able to supply their customers with adequate quantities of water for domestic purposes and in sufficient quantities for the normal operations of business and industrial customers.

Rate Increases—Water

A total of 13 water rate increases totaling $559,440 were authorized by formal commission decision during the fiscal year. In addition, 73 advice letter rate increases amounting to $1,233,724 were authorized by commission resolution after staff investigation. These increases included general rate increases and offset rate increases based on increased costs for such items as power, purchased water, and wages and salaries.

Rate Increases—Sewer

A total of one sewer rate increase totaling $135,200 was authorized by formal commission decision during the fiscal year. In addition, four advice letter rate increases amounting to $25,622 were authorized by commission resolution after staff investigation. These increases included three general rate increases and one offset rate increase based on increased charges for sewage treatment by an adjacent County Water District.

Total Increases in Hydraulic Revenues

Water	No.	Per Year
General Rate Increases (Formal Decisions)	13	$559,440
General Rate Increases (Advice Letters)	57	626,235
Offset Rate Increases (Advice Letters)	16	607,489
Total	86	$1,793,164
Sewer		
General Rate Increase (Formal Decision)	1	$135,200
General Rate Increases (Advice Letters)	3	23,606
Offset Rate Increase (Advice Letter)	1	2,016
Total	5	$160,822

Sewer Regulations

The most urgent problem facing most privately owned sewer systems continues to be how to meet the increasingly rigid discharge requirements of the California Water Quality Control Board (WQCB). Some utilities could have access to regional plants which are funded largely by state and federal funds. However, in each case, the utility and the PUC have to decide whether it would be more economical to improve its disposal plant or to build a connecting outfall sewer and pay operating fees to the regional plant. Based on past experience, the cost of waste disposal can be expected to increase.

Other Advice Letter Matters

In addition to the Advice Letter rate increases approved by commission resolution, the Hydraulic Branch also processed 27 other Advice Letters approved by Commission Resolution during Fiscal Year 1978–79. These included such items as deviations from General Order No. 103, fire flow requirements, deviations from tariff Rule No. 15, Main Extensions; and contract deviations.

Energy Conservation Branch

GEORGE AMAROLI
Chief

The Energy Conservation Branch (ECB) is responsible for regulatory functions relating to the conservation of our vital energy resources. On a continuing basis the Branch reviews, monitors, and evaluates conservation programs of the major gas and electric utilities. This requires the ECB to prepare exhibits, testify before the commission on new improved conservation practices, make specific recommendations on the effectiveness of the utility's energy conservation programs and recommend adjustments in the utility's rate of return based on the utilities performance in conservation. The ECB also participates in promoting federal and state conservation measures and programs.

The ECB is currently funded by the federal government to administer five conservation programs:

1. Conservation Voltage Regulation Program
2. Commercial & Industrial Audit Program
3. Residential Audit Program
4. Gas Furnace Pilot Light Turn Off and Relight Program
5. Development and Implementation of the National Energy Conservation Policy Act

In conjunction with the National Energy Conservation Policy Act (NECPA) the ECB has participated in hearings and made comments in developing the proposed rules. After which, the ECB will be responsible for developing certain portions of the state plan in accordance with these rules.

At the state level the ECB has and will be addressing the following activities:

1. Utility-assisted financing of consumer conservation and solar energy investments;
2. More extensive review of utility research and development budgets and their redirection toward the development and use of alternative energy sources;
3. linking electric and gas line extension credits to the promotion of energy conservation and solar energy use;
4. requiring a minimum level of energy efficiency in housing as a condition of approving a utility service connection;
5. investigating new cost effective conservation measures; and
6. assist in the development of an effective state plan to promote energy conservation.

The following subtitles address applications and decisions as they relate to conservation for each utility, as well as Orders Instituting Investigation (OIIs) for various conservation activities and progress of the federal conservation programs during the 1978–1979 fiscal year.

Pacific Gas and Electric

Applications 55509 and 55510

In Decision No. 89315 on September 6, 1978 the commission ordered Pacific Gas and Electric Company to implement Conservation Voltage Regulation (CVR). The Energy Conservation Branch is responsible for maintaining compliance monitoring of the CVR program as ordered in Decision No. 89315.

Applications 57284 and 57285

In Decision No. 89316 issued on September 6, 1978 the PUC allowed PG&E the full $21,568,000 amount that the company had requested for energy conservation activities. In response to objections by many parties to PG&E's modest conservation efforts, the commission at the same time issued OII-26, an investigation in PG&E's electric resource plan.

Applications 58545 and 58546

On October 27, 1978 the commission accepted PG&E's Notice of Intention to file a new rate case. On December 26, 1978 the applications were filed, in which PG&E requested $44,187,000 for energy conservation activities excluding load management programs.

Hearings on conservation matters were held in May and June of 1979, and a commission decision should be issued prior to the beginning of 1980, when the test year begins. In this rate case the ECB staff recommended a reduction of allowable rate of return by 0.05%, amounting to $6.1 million of gross revenue, for lack of management vigor in placing conservation at the same priority as other objectives. The staff also recommended reduction of requested expenses by $8.6 million. Staff recommended reductions were principally in the areas of solar programs, involving cash incentives to developers, funds for compliance with California Energy Commission load management standards, and excessive salary related estimates.

Residential Cogeneration Project

At the request of the ECB, the four major California regulated energy utilities sponsored a consultant to study various residential cogeneration applications for a typical large apartment building. That study was released in December of 1978 and indicates that such a project can be technically, environmentally and economically feasible. The staff is now encouraging each of the four utilities to begin a demonstration project in its service territory.

OII No. 26

In September 1978 the commission issued this Order Instituting Investigation on the topic of PG&E's electric resource plan and alternative energy resources, intending "to harmonize the interests of ratepayers and shareholders with respect to planning for future plant." Subjects of particular interest in the investigation include repowering of existing facilities, co-generation, conservation programs and utilization of renewable energy sources.

Hearings began in April 1979. The ECB participation will include cost effectiveness analysis of conservation and co-generation schemes and study of long term forecasting of conservation impacts on PG&E's future supply plans.

Southern California Edison

Application No. 57602

Edison filed Application No. 57602 on October 7, 1977. Public hearings were held between December 6, 1977 and May 22, 1978. In Decision No. 89711 dated December 12, 1978, the commission authorized Edison to file revised electric base rates which would produce $124 million in additional revenue over the rates previously authorized by Decision No. 89175 on December 31, 1976. Included in this authorization was $20 million as requested by Edison to implement energy conservation programs for test year 1979. Edison was also ordered to:

1. Continue effective programs designed to produce additional energy conservation, increase efforts to develop conservation oriented rates based on marginal costs, and apply vigor and imagination to develop new, innovative, and cost-effective conservation programs.
2. Redesign customer billing formats so that customers can understand the conservation oriented rate design and the economic benefits of energy conservation.
3. Continue to expand its implementation of conservation voltage regulation and file scheduled progress reports.
4. Cooperate with the Energy Conservation Branch to implement a Voltage Surveillance Program to assure that those feeder circuits which have been adjusted to the new service voltage range under the Conservation Voltage Regulation Program remain within the voltage range prescribed herein.

Southern California Gas

Decision No. 89710—Application No. 57639

This decision was effective on December 12, 1978. The order authorized conservation expenditures in the amount of $21,777,900. Southern California Gas Company (SCG) was also ordered to implement improved conservation measurements methods and to revise its billing format to include more information on its bills.

The decision suggested specific measures in order to improve SCE conservation program such as to analyze and describe the impacts of price on gas consumption; relate such price effects to the conservation projections; identify reductions in gas consumption due to price (rather than conservation) as precisely as possible; display a sensitivity analysis of the key variables affecting the conservation estimates, and to summarize, analyze and display this information and avoid arbitrary adjustments.

Decision No. 90308—Case No. 10032

This decision, effective on May 22, 1979, authorized SCE to implement an insulation incentive program involving a cash payment to customers who insulate their attics on a retrofit basis and direct SCG to report quarterly. SCE was authorized $11,592,700 for test year 1979 by Decision No. 89710 to carry out these insulation incentive programs.

San Diego Gas & Electric

Decision No. 90405—Application No. 58067

San Diego Gas & Electric Company (SDG&E) on May 15, 1978 filed Application No. 58067 for a general rate increase. Included in this application was a request for authorization for a substantial increase in conservation activities and expenditures.

The staff was critical of various aspects of SDG&E's conservation program, contending that SDG&E's overall conservation efforts in 1976 and 1977 were inadequate and that a major expansion of conservation goals and activities is warranted. The utility disagreed with the staff stating that their conservation activities were vigorous, imaginative and effective.

The staff and SDG&E reached a basic agreement as to the reasonable level of expenditures for marketing and conservation for the year 1979 except for an amount of $8.8 million requested by SDG&E for implementing Decision No. 88551 in Case No. 10032, the Home Insulation Assistance and Financing Program. The staff recommended that, since the incentive aspect of Decision No. 88551 was suspended pending rehearing (Decision No. 88929) and the financing program had been stayed (Decision No. 89093), subject to the action of the California Supreme Court on pending petitions for review (S.F. No. 23869), no amount for implementation of Decision No. 88551 be included until the matter is finally resolved.

The ECB staff witness was complimentary of SDG&E's conservation departments efforts. Due to SDG&E management statements indicating intent to improve their conservation program the staff made no recommendation on an adjustment to the rate of return.

The commission in Decision No. 90405 dated June 5, 1979 concluded that SDG&E's conservation programs needed improvement but, due to the assurances of management to expand conservation efforts made no rate of return adjustment for conservation. The commission did, however, caution the utility that "it should demonstrate substantial program improvement in its next general rate case".

The commission allowed $2,999,500 to cover SDG&E's basic conservation activities plus an additional $846,985 for the residential insulation incentive program which was being considered concurrently in rehearing Case No. 10032. The commission did not include any amount for the home insulation financing pending the Supreme Court's decision in Case No. 10032.

In addition, the commission required the utility to revise its Rule No. 2 to conform to the narrower voltage ranges specified under the Conservation Voltage Regulation (CVR) program. The utility was, however, allowed to file for deviations to the revised Rule No. 2 for those circuits which have not as yet been brought into compliance with the final goals of the CVR program.

Southwest Gas Corp.

Application No. 57246

On December 12, 1978 the commission rendered Decision No. 89706 which ordered Southwest Gas Corporation (SWG) to improve its conservation programs to be consistent with the decisions in Case No. 10150 (concerning the potential use of solar energy); OII-13 (concerning utility involvement in the sales, leasing, installation and servicing of solar devices); and Case No. 10032 (concerning home insulation assistance and financing provisions).

The order directed SWG to attain the saturation potential for solar programs in ten years and for conservation programs other than solar in five years. The decision provided conservation program expenses of $201,122 for SWG's California operations for 1979. The decision noted that SWG should accelerate its conservation efforts to avoid a penalty adjustment in rate of return, likewise SWG should be considered for a merit rate of return adjustment should it demonstrate a sustained effort toward achieving their conservation potential in accordance with this decision.

SWG's conservation activities include promoting sales and installation of temperature setback thermostats, intermittent ignition devices, and retrofit residential water heater insulation blankets. SWG continues its voluntary gas furnace pilot turn-off and do-it-yourself weatherization programs. In addition, SWG sponsors energy conservation poster contests, advocates that builders construct energy efficient homes, and promotes public awareness for customers to purchase energy saving appliances.

CP National Corp.

CP National Corporation (CPN) is presently participating in an extensive residential weatherization program with the California Energy Commission and the County of San Bernardino in CPN's Needles service area. The company hopes to ascertain its costs and evaluate the cost effectiveness of its conservation programs. An ongoing OII No. 14 is directed at investigating CP National's operations, rates, supply and conservation programs for CPN's electric service areas. The results of this OII will further determine the course of CP's conservation programs.

Pacific Power & Light Co.

Application No. 58605

On January 17, 1979 Pacific Power & Light Company (PP&L) filed Application No. 58605 for a $5,092,000 general rate increase. Of this amount, $195,000 was requested for Customer Service and Informational expense during test year 1979, which includes all programs relating to conservation on the customer's side of the meter. The Branch report entitled, "Analysis of 1979 Energy Conservation Programs dated June 1, 1979" was introduced into evidence in hearings on June 27, 1979. Noted were the continuing success of the Home Energy Analysis program, and the slow progress in the CVR program. Further hearings are scheduled before submission of this matter.

National Energy Conservation Policy Act (NECPA)

The National Energy Conservation Policy Act (NECPA) became law on November 9, 1978. The proposed rules and public hearing notices were published on March 19, 1979. The ECB worked with the California Energy Commission (CEC) to host workshops for determining appropriate comments about the proposed rules. On May 7, 1979 the ECB and other interested parties submitted testimony to the federal Department of Energy on the proposed rules. Written comments directed at improving the proposed rules were later submitted on June 11, 1978. The rules will be finalized in the coming fiscal year and from these rules a state plan will be developed. It will be the responsibility of the ECB to provide much input to the lead agency (CEC) for the development and implementation of this plan.

Solar Energy Proceedings

In August 1976 the PUC and the CEC began a joint investigation, Case No. 10150, into the availability and potential use of solar energy by utilities or others in California. Following hearings over an 18-month period, Decision No. 89592 was issued by the PUC in October 1978, concluding that solar energy is practical for certain uses such as active water heating and passive space heating. These applications have been included in a Recommended Utility Solar Energy Program for 1979.

Two issues not resolved in this proceeding were left for further study in other investigations. OII No. 13 concerns utility involvement in the marketing of solar equipment. OII No. 42 was authorized to study financing of solar devices, and has since been expanded to include financing of all conservation measures recommended for California under the provisions of the National Energy Conservation Policy Act (NECPA).

Incentives for Home Insulation

On May 22, 1979 the commission issued Decision No. 90308 in Case 10032 to help estimate the sluggish retrofit attic insulation market. Basically, the utilities are now required to offer and install as an incentive one high quality low-flow showerhead and one water heater wrap to each customer who insulates his attic to the appropriate R-19 or greater thermal resistance level required in his area. Two utilities will be allowed to give cash incentives on a limited basis. The decision also ordered all utilities to inform their customers via bill inserts during 1979 of the additional federal tax credit benefits available for weatherization activities resulting from the passage of the Energy Tax Act of 1978.

All utilities were directed to file quarterly reports detailing the number of retrofit insulation jobs completed, the method used to advise customers of the availability of incentives, the number of incentives by type installed, the number of cash incentives or certificate credits given, and the program expenses incurred for the quarter and cumulative to date for the program.

Conservation Voltage Regulation Programs

The use of distribution feeder voltage reduction as a permanent energy conservation measure was initiated by the commission in 1977 as a result of testing performed by Pacific Gas and Electric Company (PG&E) in 1976 in connection with PG&E's request for a general rate increase in Application No. 55509.

Tests have shown that voltage reduction results in energy savings of about one percent for every one percent reduction in voltage within the normally encountered voltage ranges.

The commission, by letter dated February 10, 1977 to the executive officers of all California utilities, initiated Phase I of the CVR program. The goal of Phase I was to reduce the maximum customer service voltage from 126 volts to 122 volts (three percent) without reducing the minimum service voltage of 114 volts. This phase was substantially completed during 1978 by fine tuning of the circuit elements and such other measures as were available, without major capital outlay. The energy savings achieved under Phase I were 1.78 billion kilowatt-hours during 1978 and are estimated to be 2.54 billion kilowatt-hours during 1979. This is equivalent to a fuel oil savings

of 2.70 million barrels during 1978 and 3.84 million barrels during 1979. As such it is the single most effective electric energy conservation program implemented in California to date.

Phase II of the CVR program was initiated by the commission by a letter dated April 7, 1978 to the executive officers of all California electric utilities. The goal of Phase II is to further narrow the customer service voltage bandwidth by reducing the maximum customer service voltage of 120 volts with a minimum service voltage of 114 volts. We anticipate that Phase II construction projects will require significant capital expenditures. Therefore, projects will be undertaken only where it is determined that such projects will be cost effective.

The utilities are expected to complete most of their Phase II testing and development of analysis methodologies during 1979 with actual construction projects to be identified and begun in late 1979. In a few cases utilities in their Phase II analyses have already identified projects which may be cost effective on the basis of reduced line losses alone. In these cases the projects will be initiated on a feeder-by-feeder basis as they are identified.

In Decision No. 89315 dated September 6, 1978 the commission ordered PG&E to revise its tariff schedule to include voltage ranges consistent with the 114 volt to 120 volt range specified under the CVR program. This voltage standard, the first such standard adopted by the commission, was later extended to Southern California Edison Company and San Diego Gas & Electric Company in their respective general rate decisions. It is expected that this voltage standard will be extended to all other electric utilities in subsequent decisions.

Residential Conservation Program

This program is joint effort between Southern California Gas Company (SCG), the PUC, and CEC to achieve lasting conservation results in the residential sector. This program will promote consumer education and residential energy audits to encourage customers to participate in making cost effective improvements to generate a maximum of energy savings.

SCG's programs include promoting retrofit attic insulation, high efficiency gas appliances, water flow control devices, water heater insulation kits, solar swimming pool covers and intermittent ignition devices. SCG also sponsors a CONCERN awards program to builders who incorporated energy saving features into new homes. Other energy saving products such as caulking, weatherstripping, night setback thermostats, duct insulation, hot water pipe insulation, faucet repair kits and furnace filters are sold through retail stores participating in SCG's Home Improvement Center Program. Total annual savings due to installation of conservation devices sold through SCG conservation programs in 1978 was 50,046,000 therms.

Consumer information is provided through media advertising, home energy conservation centers, Energy Planning Guide booklets, public presentations, a toll free telephone number, teacher lesson plan kits, conservation materials to multi-family dwellings, a solar information and support program and by tours through a Minimum Energy Dwelling.

SCG has maintained a strong public relations effort but sales of insulation and conservation hardware in its service territory appear to be lagging.

Commercial, Industrial and Agricultural (CIA) Programs

During calendar year 1978, the four major respondent California energy utilities, Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company conducted a total of 44,543 energy surveys on their commercial and industrial customers, and 1,087 energy surveys plus 12,100 pump efficiency tests for their agricultural customers.

Through the total efforts of their CIA energy conservation programs, these utilities reported a combined energy savings of approximately 872,300,000 kilowatt-hours (kwh) of electricity and 64,600,000 therms of natural gas for 1978. The electric savings is equivalent to 1,395,680 barrels of oil based on 625 kwh/barrel, or a value of $27,913,600 based on $20/barrel. The natural gas savings represent enough gas to serve 64,600 new homes for one year based on 1,000 therms/year average use per home in California.

Because of reduced electric demand due to these and other conservation activities, PG&E has revised downward the average annual energy growth rate of 6.5% estimated in 1973, to approximately 4% for the years ahead. As stated in PG&E's December, 1978 issue of "Energy Conservation Forum":

"A significant share of the credit for this reduced demand goes to customers who are cooperating with the company's conservation programs."

The reduced growth estimates have altered (reduced) PG&E's plans for new generating capacity during the next five years by a downward adjustment of 4.4 million kilowatts. As a result, capital requirements have been reduced by an estimated $2.7 billion.

The staff is continually urging and encouraging the utilities to expand and accelerate their energy conservation programs to achieve still greater savings each year.

Gas Furnace Pilot Light Programs

These programs are designed to educate and encourage all residential gas customers in warm areas to turn off the pilot lights on their gas furnaces or wall heaters in late spring, and to safely relight them in the fall of each year. On April 25, 1979 the ECB issued a report on the Gas Furnace Pilot Light Turn Off and Relight Program. This report gives the background and the results of the 1978 program.

In 1978 over 3,000,000 customers extinguished their pilot lights during the summer months. Approximately 90,000,000 therms or enough gas to supply 900 therms per year to 100,000 homes was saved as a result of the 1978 ECB coordinated program.

On July 8, 1978 the state issued regulations requiring all new residential furnaces sold or installed in California to be equipped with intermittent ignition devices (IID). The IID's eliminate the need for a standing pilot light. Therefore, the number of furnaces with standing pilot light will decrease as they are replaced by new furnaces. As a result the Gas Furnace Pilot Light Turn Off and Relight Program has been accelerated to reach as many customers as possible to encourage them to participate in this energy conservation program now. Once a customer has participated in this program, it is hoped the customer will continue this practice during the remaining life of the furnace.

The outlook for 1979 is very promising with the utilities supporting active campaigns to encourage their customers to turn off their gas furnace pilot lights in the summer. Many of the service men are offering instructions to customers on how they can turn off and relight their own gas furnace pilot lights. Some utilities are using TV and other creative ideas to promote summer turn-offs.

The results of the 1979 program will be evaluated and the gas savings will be tabulated in the Gas Furnace Pilot Light Turn Off and Relight Program Report to be published in the spring of 1980.

Recorded Electric & Gas Sales

For all utilities, recorded electric sales (less resales) have been increasing over most of the last 48-month period. Although PG&E's recorded total sales have leveled off or declined from 1977 through 1978, they have begun to increase again in 1979 (Fig. 1).

The recorded average electric sales per customer have fluctuated over the past 36 months for SCE and SDG&E but declined for PG&E (Fig. 2). The decline which appears at the end of 1977 was correlated with the implementation of this commission's Conservation Voltage Regulation (CVR) program, Phase I. Phase I was essentially completed for the residential service class by December 31, 1977.

Since peaking in 1976, recorded gas sales (other than resale) have trended downward through 1978 for both PG&E and SDG&E (Fig. 3). SCG's recorded sales declined in mid-1977 and then turned upwards through March, 1979.

The reductions in recorded gas sales have resulted, most likely, from conservation activities, public awareness during the drought and a weather effect due to a moderate warm winter and spring of 1978. The upturn in sales in December 1978 reflects abnormally low temperatures which occurred at that time. Reductions in gas usage have occurred despite the additions of new housing and a strong economic climate through June 1979.

Each major gas utility observed a decline in its recorded residential gas sales per customer, from a high level at the onset of the 1973–74 oil embargo to a low point in late 1978. Recently, however, the recorded sales per customer have risen sharply due to unusually cold temperatures starting in December 1978. The cold temperatures caused residential customers to burn more gas for space heating then would have occurred under more normal weather conditions (Fig. 4).

The overall decline in residential customer recorded usage can be partially attributed to (1) the increase in the number of residential dwellings constructed prior to 1975 which have been retrofitted with attic insulation, (2) the improvement in energy efficiency for new housing built since 1975 under stricter building standards, (3) normal consumer response to rising gas prices, and (4) conservation efforts by gas customers due to utility efforts and the residual effects on hot water consumption caused by the 1976–77 California drought.

Energy Conservation Forecasting

The Energy Conservation Branch has evaluated utility data and techniques used to incorporate energy conservation impacts within long term utility sales forecasts in several major utility rate increase applications. Forecasting is important for determining utility construction requirements and for the evaluation of utility achievements in meeting conservation goals. This analysis of utility energy forecasts is a continuing program of the Branch that provides for the commission information on future energy supply and requirements of the utilities.

Environmental Impact Branch

D. B. STEGER
Chief Environmental Engineer

The Environmental Impact Branch is responsible for the preparation of Initial Studies, Negative Declarations, and Environmental Reports on proposed projects of utility companies for which the PUC is the lead agency under the California Environmental Quality Act (CEQA).

The branch performs staff duties as required by Rule 17.1 of the commission's Rules of Practice and Procedure and has project-engineer responsibility on major projects. In the process of preparing environmental documents, the branch staff consults with responsible agencies, and if hearings are required prepares evidence on the proposed project, testifies concerning its findings and develops points for cross-examination.

Additionally, the branch is active in the coordination of commission programs with the Advisory Committees of the Geothermal Resources Board and the Seismic Safety Commission, and also reviews other projects referred to the PUC by the State Clearinghouse.

During the year, five applications for certificates of public convenience and necessity were granted by the commission while one application was denied. Each required the preparation of a negative declaration or a draft and final environmental impact report.

Dispositions are pending for a total of five electrical transmission projects and two gas projects. Each will require the preparation of environmental documents.

Implementation of AB 884

Assembly Bill 884 (AB 884) amending CEQA established new procedures for the processing of applications. Among its provisions are specific time limits for different steps in the project evaluation process and a mandate to all state agencies to specify in advance the information which will be required in the application for each type of project application the agency may receive. This information must be made available to the public in "Information and Criteria Lists".

OII 22 was instituted for the purpose of adopting rules implementing the provisions of AB 884. On January 30, 1979, the Commission, in its Decision No. 89905, ordered an amendment to its Rule 17.1 by incorporating a revised Rule 17.1 and additional Rules 17.2 and 17.3 and adopted an Information and Critieria List.

ENVIRONMENTAL REVIEWS

Certification proceedings for the following projects were conducted during the fiscal year 1978–79.

Application No.	Utility	Electrical Generation	Disposition
A-54148	SCE	Lucerne Valley 1, 2, 3	Dismissed
A-57000	SDG&E	Silver Gate #2 Repwr.	Withdrawn
A-57538	PG&E	Geysers Unit #16	Dismissed
A-57735	PG&E	Kerckhoff No. 2	Certificate granted
		Electrical Transmission	
A-56302	PG&E	Geysers—Lakeville	Dismissed
A-56532	PG&E	Gates—Gregg	Denied
A-56585	PG&E	NE Stockton	Certificate granted
A-56604	PG&E	Shepherd	Withdrawn
A-57222	SCE	Mira Loma—Lugo	Certificate granted
A-57251	SCE	Palo Verde—Devers	Pending
A-58183	PG&E	Peabody	Certificate granted
A-56396	PG&E	Brentwood	Modification granted
A-58282	SDG&E	San Onofre—Encina	Pending
A-58287	PG&E	Tesla—Lawrence	Certificate granted
A-58436	SDG&E	San Onofre—Mission	Pending
	SDG&E	Eastern Interconnection	Pending
	SDG&E	Tijuana—Miguel	Pending
A-56747	SoCal	10 Section Gas Storage	Withdrawn
A-58639	PG&E	Brentwood—Panoche Pipeline	Pending (To be dismissed)
A-58905	PG&E & PLS	10 Section Gas Storage (Refile)	Pending
		Other Projects	
A-57289	SP	Discontinuance of Passenger Service	Pending
OII 22		Implementation of AB 884	D-89905
	SCE	Alamitos Scrubber	Project not undertaken

Utilities Division Training

The Utilities Division training program for fiscal year 1978–79 consisted of technical, procedural, and management courses. Twenty-two persons attended 29 courses for a total of 772 hours.

In addition, two staff members received career related training funds for their off duty studies leading to master degrees in the fields of Business Administration and Public Administration.

Utilities Statistics

The utilities operating under the jurisdiction of the Public Utilities Commission are classified here by type of service.

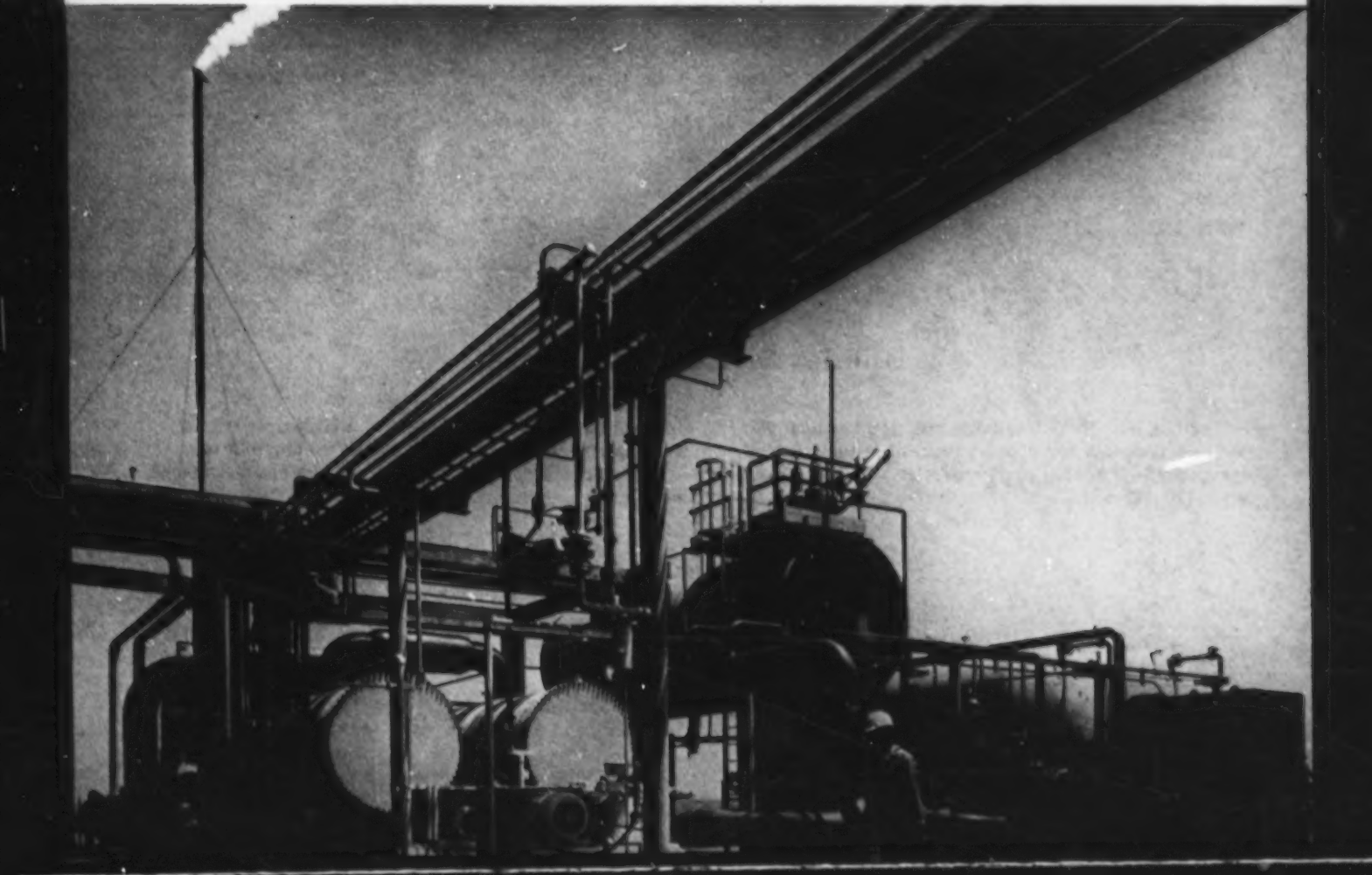
The 1978 statistics and data developed for the tabulations and charts in this section are from reports filed with the commission by the large California privately owned public utilities as follows:

A. For gas, the data are based on the totals of the four largest utilities serving over 99% of the customers served by the 15 privately owned gas public utilities.
B. For electric, the data are based on totals of the four largest utilities, which serve more than 99% of the customers served by the 13 privately owned electric public utilities.
C. For water, the data are based on the totals of the 34 largest, of the 354 privately owned public utilities whose individual revenues exceed $200,000 a year.
D. For telephone, the data are based on totals of the five largest utilities serving more than 99% of the company main stations served by the 26 privately owned telephone public utilities.

The number of utility customers shows an increase rate of growth at a simple annual increase of 3% per year (compounded annual growth rate of 2.9%), reflecting the steady increase in California's population. Total operating revenue rose 11% as a simple annual increase over 1977, and is growing at a compound annual rate over the past 10 years at 12.2% per year. Gas utility revenues increased 12.1% over 1977, electric utility revenues rose 15.5%, and telephone utility revenues increased 10.1% in the same period. Total utility plant grew at a simple rate of 9%, with the compounded annual growth rate from 1969 to 1978 being 7.4% per year. The most vigorous utility plant growth continues to be in telephone plant, more than doubling in the last 10 years.

A tabular comparison of monthly bills for typical residential use of gas, electric and telephone service is included for the 25 largest United States cities using the latest published rate schedules and final 1970 population census. For the last 10 years, San Francisco and Los Angeles have ranked in the first six positions, reflecting lowest composite utility rates.

Overhead conduits frame condenser tanks (left) and isobutane storage tank (center) at San Diego Gas & Electric Company's geothermal loop experimental facility at Niland in the Imperial Valley. Geothermal steam comes from vent at far left.



FORMAL AND INFORMAL PROCEEDINGS

Rate Revision Summary

Rate revisions authorized by the PUC are tabulated below. These revisions include increases and reductions authorized through formal and informal rate proceedings.

ANNUAL REVENUE INCREASES AND REDUCTIONS DUE TO RATE REVISIONS

Decisions Effective July 1, 1978 to June 30, 1979

Type of Utility	Rate Revision
Increases	
Gas	$963,758,356
Steam	199,500
Electric	188,072,000
Communications	–
Water	7,762,840
Total	1,159,792,696
Reductions	
Gas	40,404,763
Steam	467,900
Electric	723,589,800
Communications	121,011,100
Water	533,541
Total	886,007,104
Net Change	
Gas	923,353,593
Steam	(268,400)
Electric	(535,517,800)
Communications	(121,011,100)
Water	7,229,299
Total	273,785,592

(Reduction)

Formal Rate Proceedings

There were 55 formal rate proceedings decided by the commission in which rates became effective during the fiscal year 1978–79. The Operations, Communications and/or Utilities Divisions staffs participated in these investigations. The following tabulation indicated that $275 million in rate increases were granted, 34% of the amounts requested by the utilities. Of the $1,747 million general rate increases represented, 65% were authorized.

FORMAL RATE PROCEEDINGS

Decisions Effective July 1, 1978 to June 30, 1979

Application No.	Utility	Rate Increase Requested	Rate Increase Authorized	Percent
	Gas Proceedings			
57196	Southern California Gas Co.	$(239,000)	$(238,000)	100.0[c]
57246	Southwest Gas Corporation	2,511,417	2,342,400	93.3[a]
57285[a] & 57978[b]	Pacific Gas & Electric Co.	276,075,000	189,866,400	68.8
57639	Southern California Gas Co.	465,002,000	321,755,000	69.2[a]
57639	Southern California Gas Co.	(19,949,000)	(19,949,000)	100.0[b, e]
OII–19	PG&E, SDG&E & Others	(20,217,763)	(20,217,763)	100.0[d]
58067	San Diego Gas & Electric Co.	24,854,000	14,634,000	58.9[a]
58352	San Diego Gas & Electric Co.	5,500,000	5,500,000	100.0[b]
58366	McCloud Gas Company	270	556	205.9[a, e]
58469	Pacific Gas & Electric Co.	217,400,000	160,484,000	73.8[a]
58724	Southern California Gas Co.	255,076,000	251,076,000	98.4[b]
58732	San Diego Gas & Electric Co.	18,100,000	18,100,000	100.0[b]
	Total	1,224,113,924	923,353,593	75.4
	Pass Through Increases	24,718,771	24,718,771	100.0[b]
	Reduced Ad Valorem Taxes	(40,166,763)	(40,166,763)	100.0[d]
	Ordered Rate Decrease	(238,000)	(238,000)	100.0[c]
	General Rate Increases	1,240,918,687	940,158,356	75.8[a]
	Total All Increases	1,225,232,695	924,472,364	75.5
	Steam Proceedings			
58067	San Diego Gas & Electric Co.	324,500	199,500	61.5%[a]
		(334,300)	(334,300)	100.0[b]
	Pass Through Increase			
	Reduced Ad Valorem Taxes	(133,600)	(133,600)	100.0[d]
	General Rate Increases	324,500	199,500	61.5[a]
	Total All Increases	(143,400)	(268,400)	187.2[f]
	(Reduction)			

[a] General rate case.
[b] Offset proceeding.
[c] Commission Order Rate Reduction to Gas Engine Customers.
[d] Reduced Rates to Reflect Reduced Ad Valorem Taxes.
[e] The Commission staff review of McCloud's application led to a redesign of McCloud's rate schedules, resulting in an authorized rate increase larger than the one requested.
[f] Percent decrease of requested amount.

Application No.	Utility	Rate Increase Requested	Rate Increase Authorized	Percent
	Water Proceedings			
57293	Del Oro Water Co.	$67,720	$32,100	47.4%
57401	Fruitridge Vista Water Co.	79,670	27,900	35.0
57146	Lake Gregory Water Co.	64,000	53,000	82.8
56964	Rancho Las Posas Water Co.	131,910	77,600	58.8
57808	Paradise Estates Water Co.	18,620	4,000	21.5
57305	Goodyears Bar	590	590	100.0
57777	Campbell Water Company	97,500	64,000	65.6
57841	Patterson City Water Co.	45,380	18,300	40.3
57768	Pomona Valley Water Company	130,900	44,300	33.8
57896	Alisal	81,800	24,800	30.4
55430	Jackson Water Works	77,300	48,000	62.1
58055	Gibbs Ranch Water Co.	32,090	24,090	75.1
58520	Apple Valley Ranchos Water Co.	215,000	140,760	65.5
57332	California Water Service Co.	34,100	20,500	60.1
57329	California Water Service Co.	44,000	29,100	66.1
57330	California Water Service Co.	231,100	146,300	66.3
57331	California Water Service Co.	687,700	411,600	59.9
56935	California-American Water Co.	114,200	113,800	99.6
57025	Southwest Suburban Water	279,400	62,800	22.5
56543	Washington Water & Light	567,700	312,700	55.1
57328	California Water Service	1,746,400	1,218,800	69.7
57505	San Jose Water Works	4,560,300	3,048,600	66.9
57631	Dominguez Water Corporation	869,000	587,800	67.6
57879	California-American Water Company	169,700	43,500	25.6
58093	California Water Service Co.	695,600	369,100	53.1
58091	California Water Service Co.	966,800	838,800	86.9
	Total	12,009,280	7,762,840	64.6
	Pass Through Increases	(533,541)	(533,541)	100.0
	General Rate Increases	12,009,280	7,762,840	64.6
	Total All Increases	11,475,739	7,229,299	63.0
	Communications Proceedings			
OII-19	Pacific, General, Continental, Others	(121,011,100)	(121,011,100)	100.0
	Reduced Ad Valorem Taxes	(121,011,100)	(121,011,100)	100.0
	General Rate Increase	0	0	0.0
	Total All Increases (Reduction)	(121,011,100)	(121,011,100)	0.0

ELECTRIC PROCEEDINGS

Application No.	Utility	Rate Increase Requested	Rate Increase Authorized	Percent
57602	Southern California Edison Co.	$315,800,000	$124,000,000[a, c]	39.3
57602	Southern California Edison Co.	(172,370,000)	(102,100,000)[b, c]	59.2
58481	Southern California Edison Co.	1,200,000	1,200,000[d]	100.0
OII–19	Southern California Edison Co.	(46,708,000)	(46,708,000)[e]	100.0
C-9886	Southern California Edison Co.	(156,806,400)	(156,806,400)	100.0
57284	Pacific Gas & Electric Co.	90,224,000	39,187,000[a]	43.4
58033	Pacific Gas & Electric Co.	(200,874,000)	(200,874,000)[b]	100.0
58468	Pacific Gas & Electric Co.	(143,550,000)	(143,550,000)[b]	100.0
OII–19	Pacific Gas & Electric Co.	(43,876,000)	(43,876,000)[e]	100.0
58067	San Diego Gas & Electric Co.	87,230,000	23,685,000[a]	27.2
28263	San Diego Gas & Electric Co.	(21,000,000)	(21,000,000)[b]	100.0
OII–19	San Diego Gas & Electric Co.	(7,182,000)	(7,182,000)[e]	100.0
58716	Sierra Pacific Power	(971,000)	(971,000)[b]	100.0
OII–19	Sierra Pacific Power	(90,400)	(90,400)[e]	100.0
OII–33	Sierra Pacific Power	(114,000)	(114,000)[f]	100.0
C-9988	Pacific Power & Light	(318,000)	(318,000)[e]	100.0
	Total	(299,405,800)	(535,517,800)	178.9[g]
	Pass Through Increases	(792,659,800)	(722,389,800)	91.1[h]
	General Rate Increases	493,254,000	186,872,000	37.9[g]
	Total All Increases	(299,405,800)	(535,517,800)	178.9[g]

All Formal Proceedings

Total of Pass Through Increases	(768,808,870)	(698,538,870)	90.9%
Total of General Rate Increases	1,746,506,467	1,134,992,696	65.0
Total Other Adjustments	(161,549,463)	(161,549,463)	100.0
Total All Proceedings (Reduction)	816,148,134	274,904,363	33.7

[a] General rate case.
[b] Offset proceeding.
[c] Interim increase of $172,370,000 in base rates requested with equivalent decreases in ECAC rates. The $102,100,000 was authorized.
[d] Increase in non-lifeline rates to recover new energy development expenditures.
[e] Rate decrease due to lower ad valorem taxes (Proposition 13).
[f] Rate decrease per Revenue Act of 1978.
[g] Percent decrease over amount requested.

TYPICAL GAS, ELECTRIC AND TELEPHONE BILLS
25 LARGEST CITIES IN THE UNITED STATES

As of June 30, 1979

City	Population 1970 Census	Gas 70 Therms	Electric 300 kWh	Telephone 1-Party Flat Rate	Total Monthly Bill
Memphis	623,530	14.21	9.76 *	10.28	34.25
San Francisco	715,674	18.99	10.28	5.07**	34.34
Denver	514,678	18.74	12.44	8.00	39.18
Los Angeles	2,814,152	18.71	16.37*	5.07**	40.15
Seattle	530,831	28.60	3.84*	8.25	40.69
San Antonio	654,153	19.26	14.83 *	7.00***	41.09
San Diego	696,769	21.21	15.94	5.07**	42.22
Dallas	844,401	18.12	16.96	7.50***	42.58
New Orleans	593,471	17.41	15.42	10.05	42.88
Detroit	1,511,482	20.46	16.61	8.34	45.41
Pittsburgh	520,117	20.37	18.90	6.72	45.99
Washington, D.C.	756,510	23.91	12.97	9.99	46.87
Indianapolis	744,624	21.28	14.79	11.25	47.32
Milwaukee	717,298	22.85	15.33	9.50	47.68
Chicago	3,366,957	22.10	19.23	6.45 *	47.78
Houston	1,232,802	23.74	16.16	8.00	47.90
Columbus, Ohio	539,677	20.05	19.11	10.70	48.86
St. Louis	622,236	25.59	16.13	8.90	50.62
Philadelphia	1,948,809	26.16	17.55	7.25	50.96
Phoenix	581,562	22.96	20.30	9.50	52.76
Jacksonville, Fla.	528,865	24.63	17.56 *	11.05	53.24
Cleveland	750,903	19.40	23.23	11.95	54.58
Baltimore	905,759	25.88	18.73	10.37	54.98
Boston	641,071	30.73	19.13	10.96	60.82
New York City	7,367,000	41.92	33.88	8.00 **	83.80

* Municipally-owned utility

** Unlimited residence message rate service to points within the PCA (primary calling area), includes a monthly allowance of $4.00 for local calls.

*** Includes $1.00 instrument charge in Texas

* Message rate service (Discount allowance).

** Population No. 13 discount is 11.01%

$6.70 x 11.01% = $.63. Rate is $6.70

− .63

$6.07

Note: Federal, state and local taxes excluded.

OPERATING REVENUE OF LARGE UTILITIES IN CALIFORNIA

Years 1969 through 1978

End-of-Year	Gas *	Steam	Electric	Water	Telephone	Total	Annual Incr.
			(Dollars in Thousands)				
1969	$1,005,375	$1,610	$1,356,003	$88,769	$2,334,188	$4,785,945	11%
1970	1,059,639	1,576	1,473,694	97,669	2,502,750	5,135,328	7
1971	1,213,355	1,750	1,646,063	105,736	2,717,268	5,684,171	11
1972	1,262,144	1,730	1,859,381	115,033	2,943,864	6,182,152	9
1973	1,320,123	1,982	2,113,306	118,627	3,288,807	6,842,845	11
1974	1,473,583	1,937	2,690,982	123,659	3,603,159	7,893,220	15
1975	2,023,325	2,747	3,069,852	135,636	3,989,036	9,220,597	17
1976	2,215,931	3,342	3,549,868	156,292	4,440,786	10,366,219	12
1977	2,596,509	3,327	4,437,762	151,587	4,957,906	12,147,091	17
1978	2,806,942	3,834	4,943,436	161,966	5,549,300	13,465,498	11
Annually Compounded Growth Rate 1969–1978	12.1%	10.1%	15.5%	6.9%	10.1%	12.2%	–

* Revenue less interdepartmental sales.

UTILITY PLANT OF LARGE UTILITIES IN CALIFORNIA

Years 1969 through 1978

End-of-Year	Gas *1	Steam *	Electric *	Water	Telephone	Total *	Annual Incr.
			(Dollars in Thousands)				
1969	$2,234,875	$5,127	$7,034,787	$483,770	$6,981,021	$16,730,580	7%
1970	2,361,614	6,050	7,490,448	507,558	7,569,770	17,935,440	7
1971	2,464,365	7,315	8,254,428	554,361	8,277,352	19,557,821	9
1972	2,585,758	6,894	8,704,560	603,366	9,051,245	20,951,843	7
1973	2,724,386	7,303	9,222,695	619,480	9,879,537	22,453,401	7
1974	2,873,115	7,073	9,787,542	649,666	10,661,324	23,978,720	7
1975	3,048,225	7,209	10,308,529	675,697	11,570,071	25,809,731	7
1976	3,243,001	9,969	10,839,445	689,948	12,484,380	27,266,761	6
1977	3,402,536	10,365	11,462,374	726,664	13,697,698	29,299,659	7
1978	3,571,350	10,485	12,235,252	789,126	15,221,648	31,827,861	9
Annually Compounded Growth Rate 1969–1978	5.4%	8.3%	6.3%	5.6%	9.1%	7.4%	

* These columns have been changed from prior years to reflect the current accounting practice of excluding contributions in aid of construction.
*1 Gas plant data revised to include common plant of Southwest Gas Corp. per annual reports of company from 1973 to present. Totals are revised accordingly.

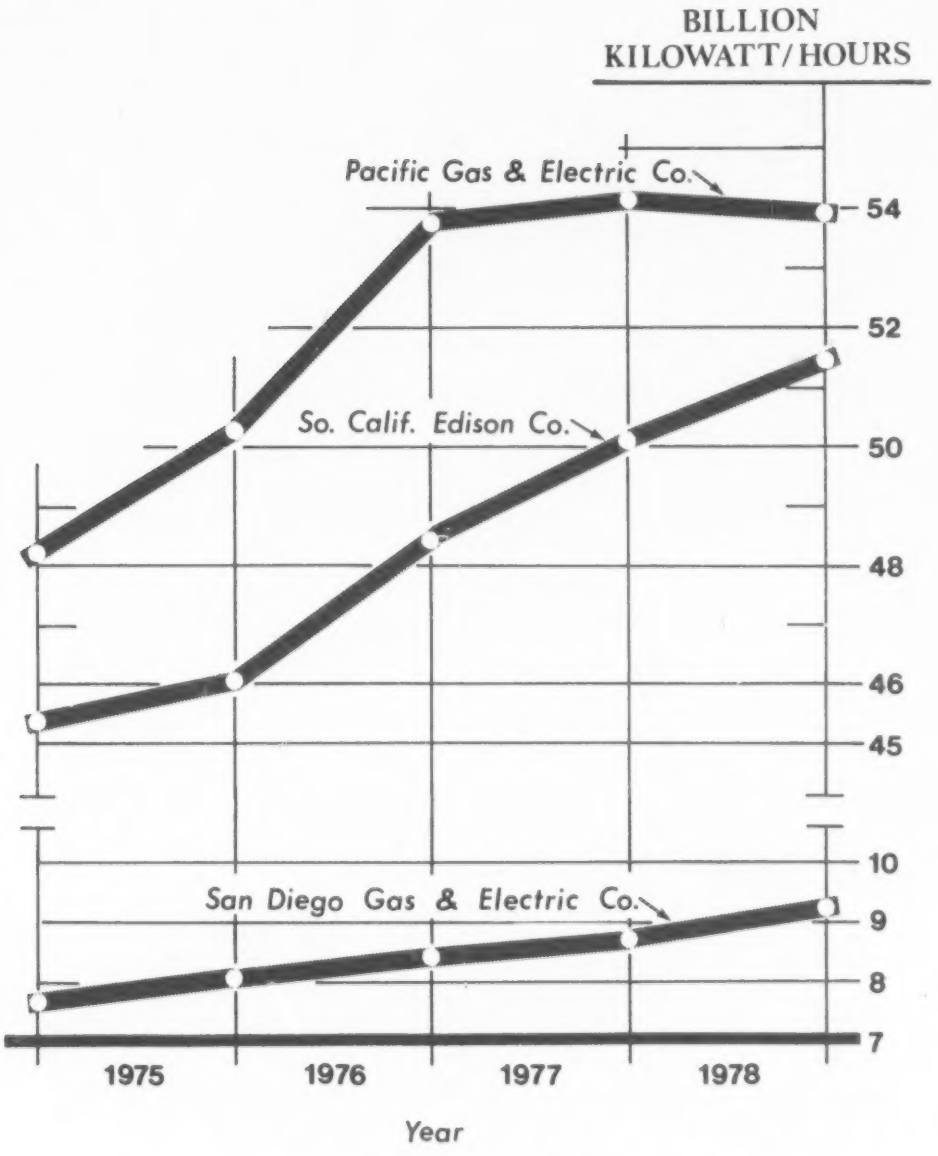
CUSTOMERS OF LARGE UTILITIES IN CALIFORNIA

Years 1969 through 1978

End-of-Year	Gas	Steam	Electric	Water	Telephone *	Total	Annual Incr.
			(Customers in Thousands)				
1969	5,699	0.4	5,393	950	7,299	19,342	3%
1970	5,795	.4	5,537	965	7,543	19,841	3
1971	5,891	.4	5,703	1,010	7,752	20,357	3
1972	6,010	.4	5,853	1,036	8,040	20,940	3
1973	6,133	.4	6,078	1,052	8,361	21,625	3
1974	6,258	.4	6,252	1,068	8,607	22,186	3
1975	6,417	.4	6,404	1,099	8,897	22,818	3
1976	6,556	.3	6,577	1,124	9,212	23,470	3
1977	6,722	.3	6,795	1,106	9,671	24,295	4
1978	6,894	.3	7,007	1,124	10,022	25,047	3
Annually Compounded Growth Rate 1969–1978	2.1%	(3.2)% (Red Figure)	3.0%	1.9%	3.6%	2.9%	–

* Company main stations.

Major Electric Utilities
Electricity Sales - Other Than Resale
Recorded



RECORDED SALES (MINUS RESALE) OF ENERGY BY MAJOR CALIFORNIA UTILITIES

12 Months Ended June

Electric
Millions of Kwh

	1978	1979	Change %
Pacific Gas & Electric Co.	53,605	55,709	3.9
Southern California Edison Co.	50,448	52,783	4.6
San Diego Gas & Electric Co.	8,892	9,641	8.4
3 Utilities Total	112,948	118,133	

Gas
Millions of Cubic Feet

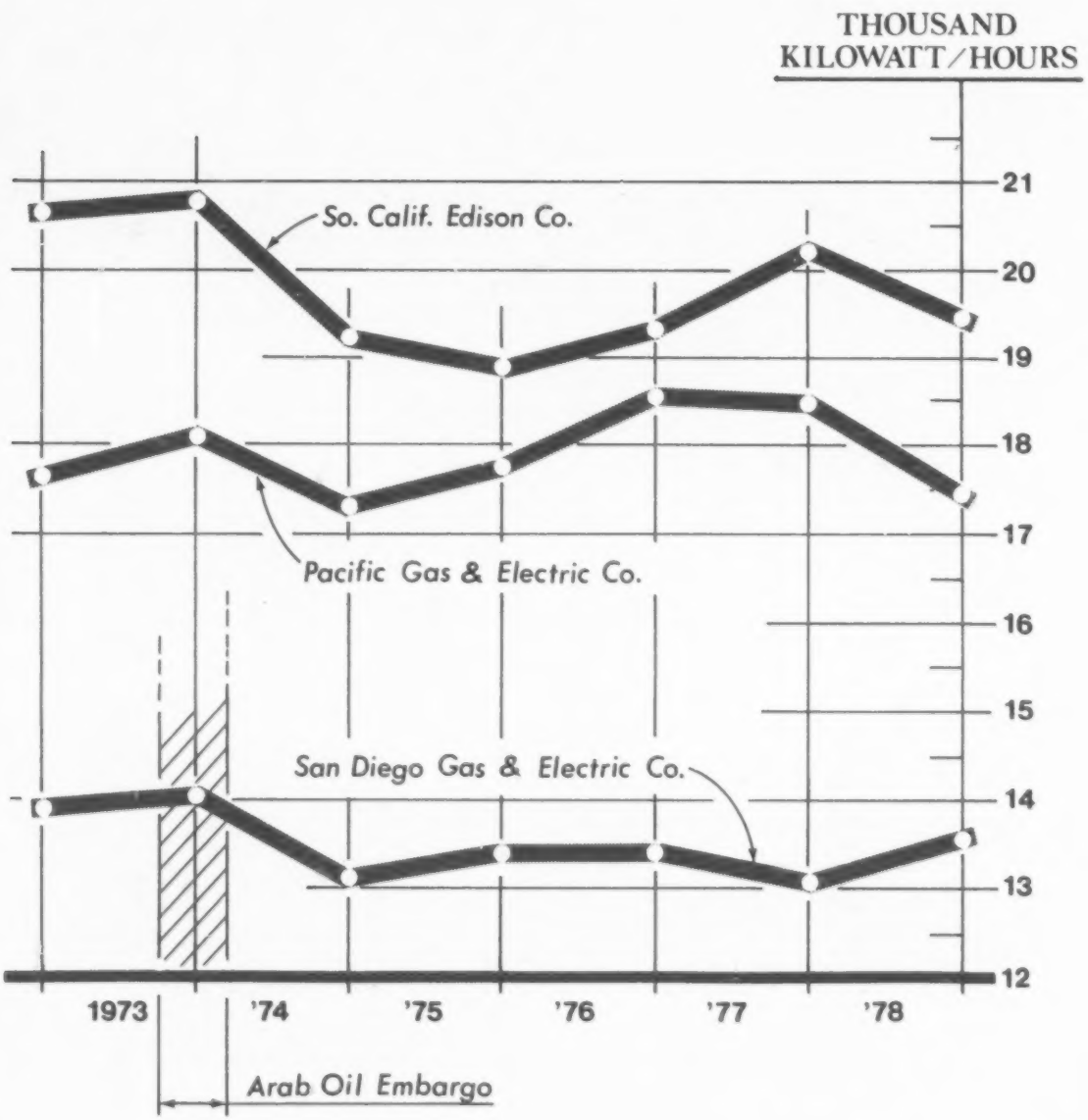
	1978	1979	Change %
Pacific Gas & Electric Co.	677,164	718,806	6.2
Southern California Gas Co.	669,953	730,214	9.0
San Diego Gas & Electric Co.	44,149	51,427	16.5
3 Utilities Total	1,391,266	1,500,447	

NATURAL GAS RESIDENTIAL SALES PER CUSTOMER

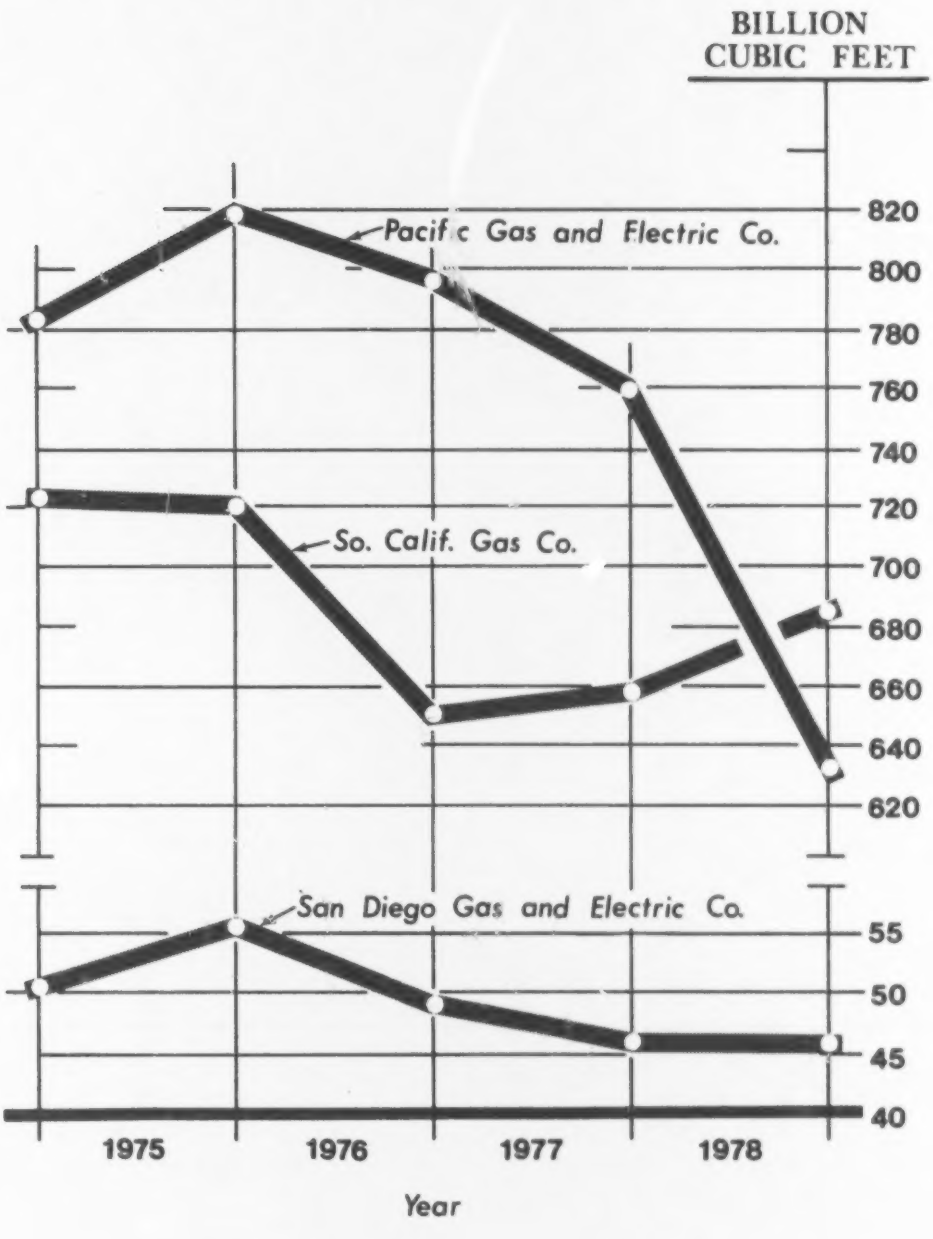
12 Months Ended June

Mcf/Customer	1978	1979	Change %
Pacific Gas & Electric Co.	98.19	96.15	(0.02)
Southern California Gas Co.	90.96	91.60	0.01
San Diego Gas & Electric Co.	65.11	76.6	17.7

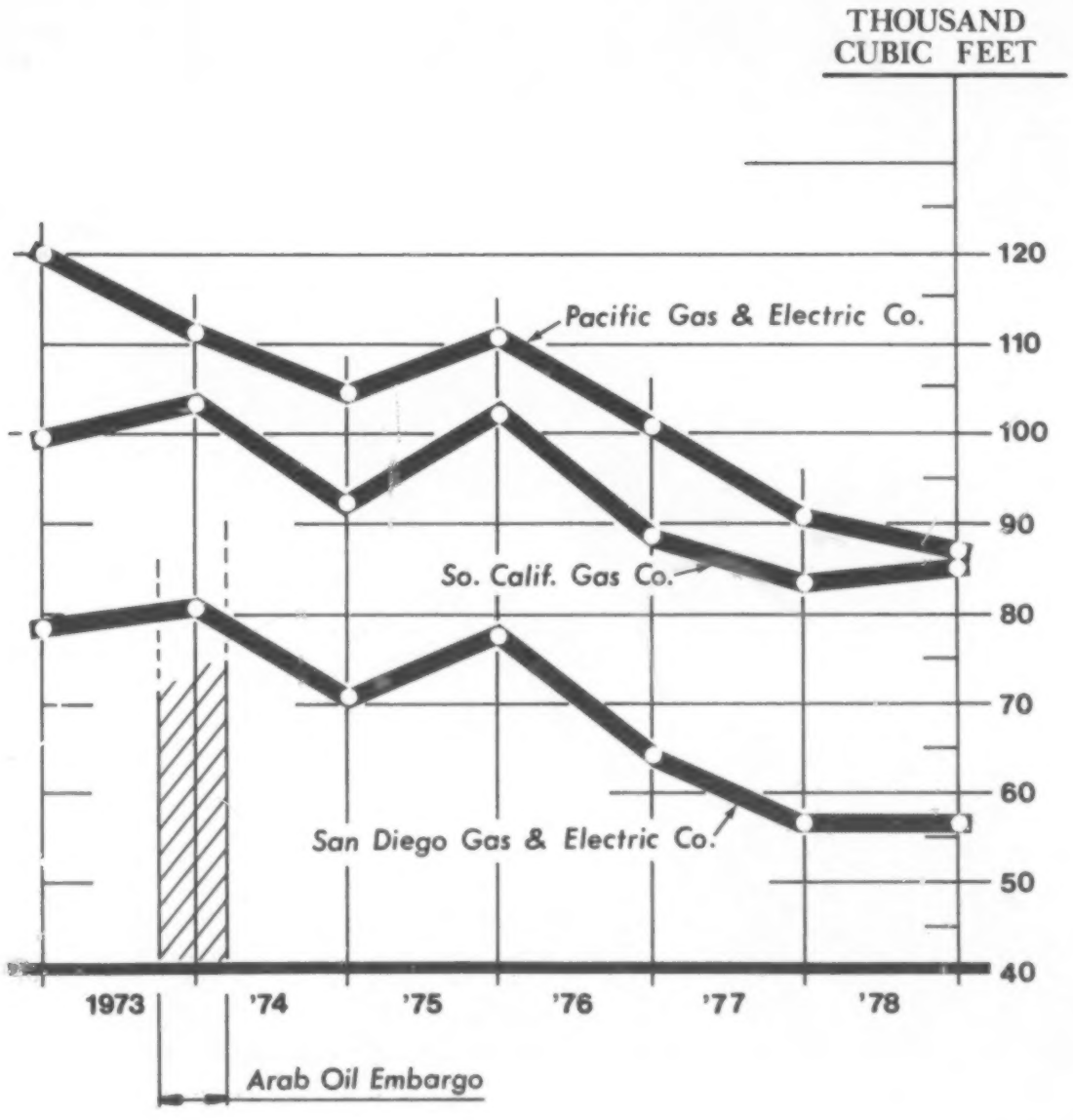
Major Electric Utilities
Average Electric Sales/Customer
Recorded



Major Gas Utilities
Gas Sales - Other Than Resale
Recorded



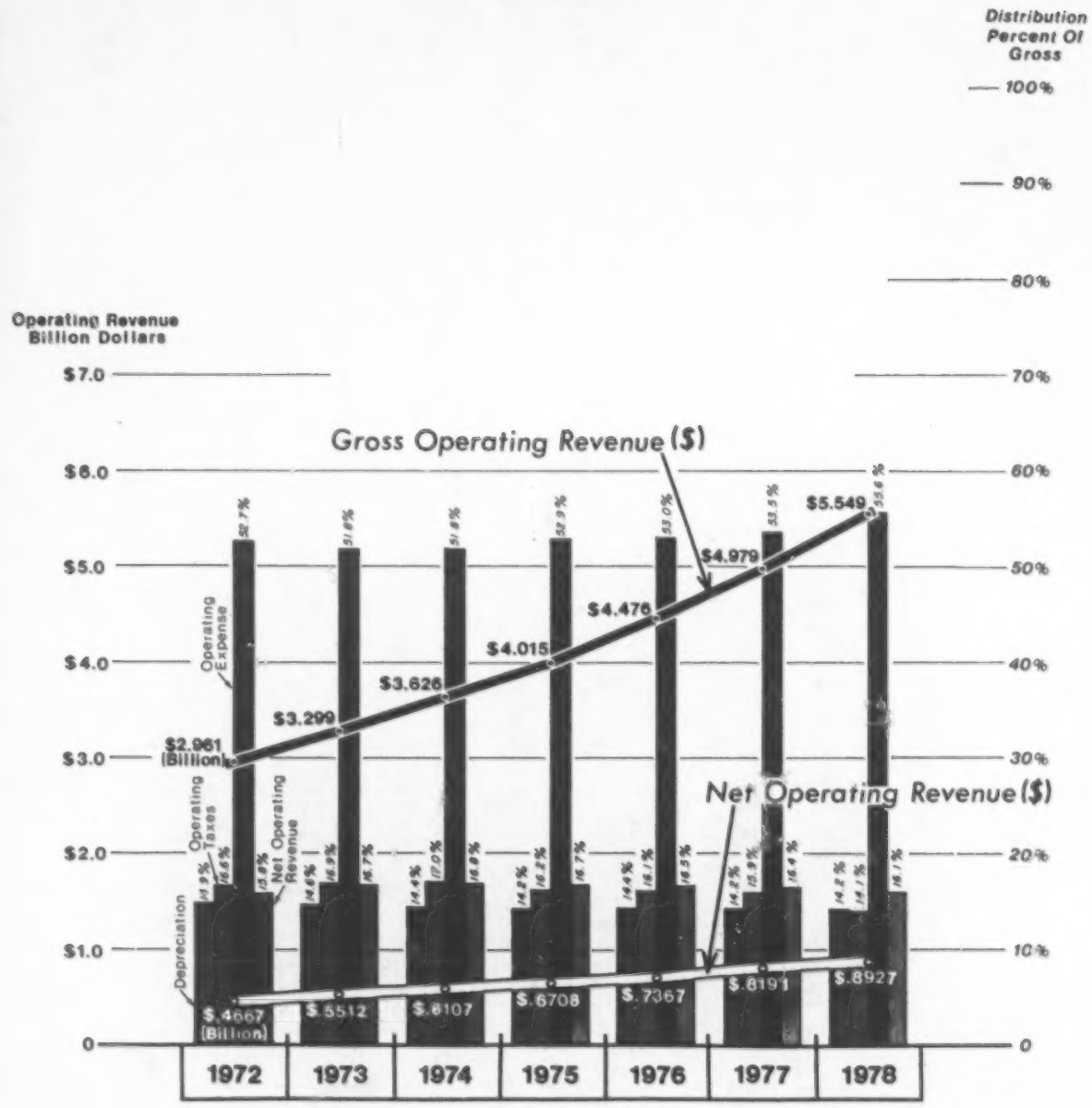
Major Gas Utilities
Residential Gas Sales/Customer
Recorded



Fuel Cost as a Percentage of Total Operation and Maintenance Expense of Generating Electricity

DISTRIBUTION OF GROSS OPERATING REVENUE LARGE TELEPHONE UTILITIES IN CALIFORNIA

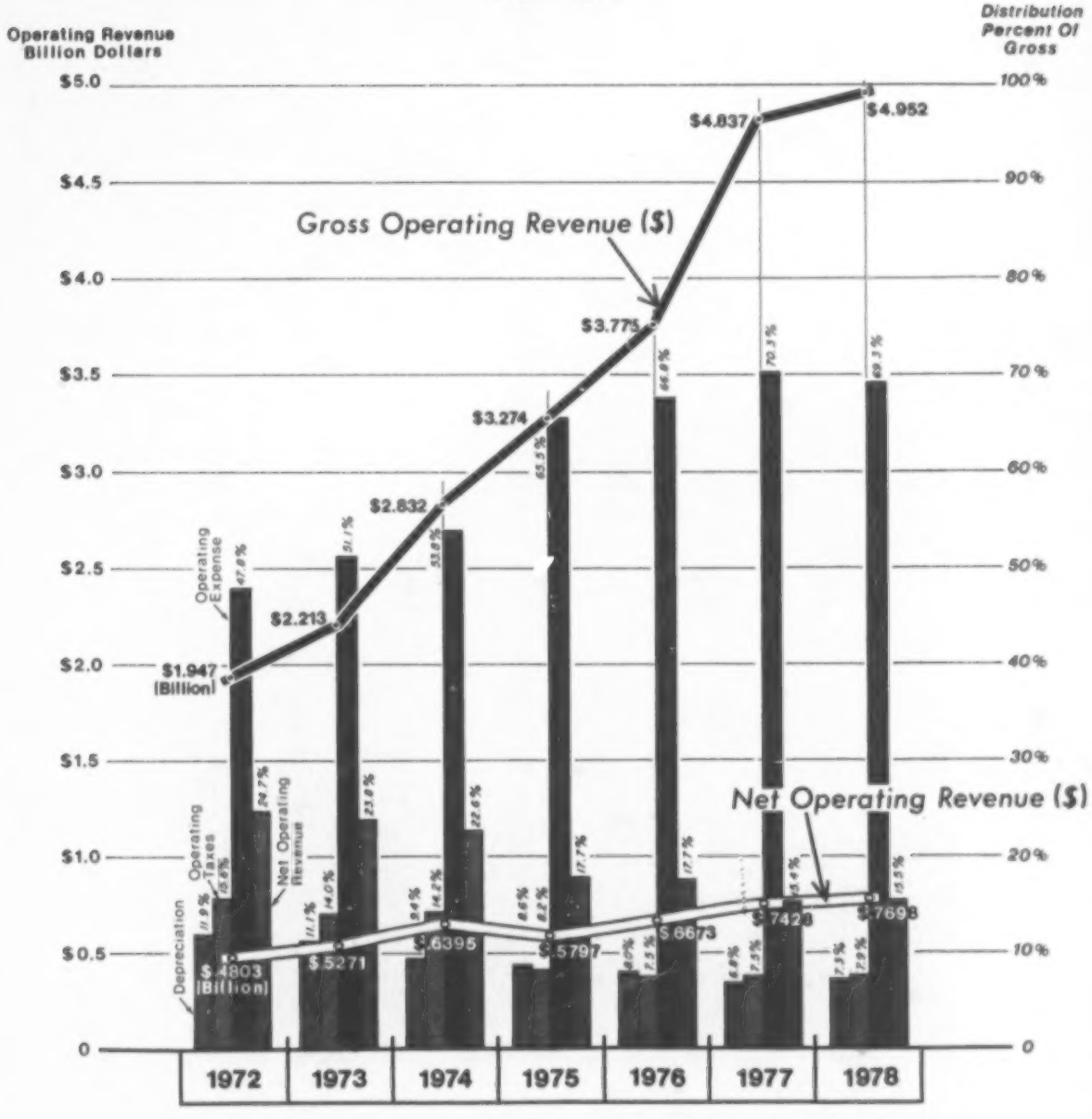
1972 - 1978



NOTE: Distribution percentage allotted to Depreciation + Operating Taxes + Operating Expenses + Net Operating Revenue = 100% = Gross Operating Revenue.

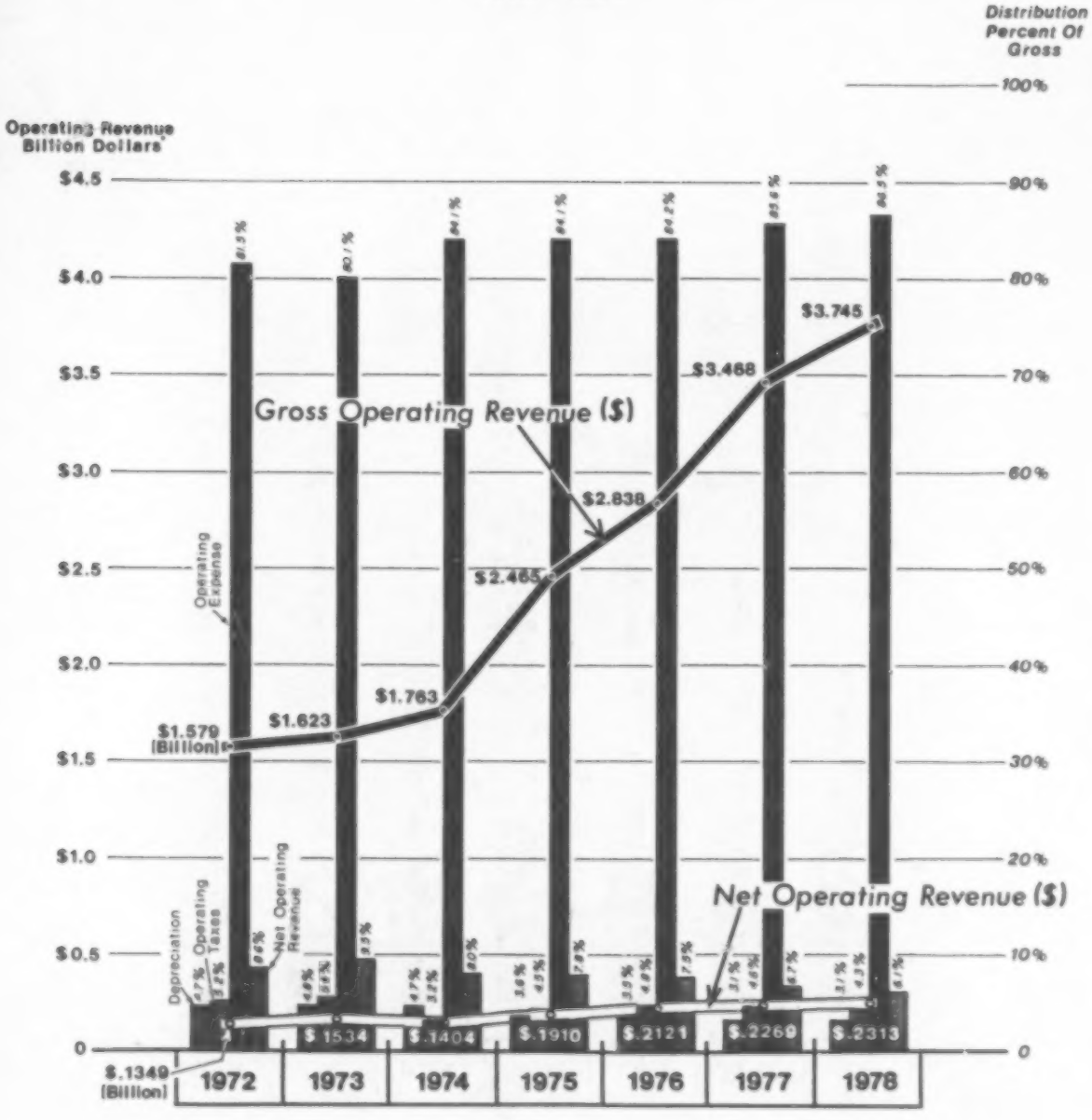
DISTRIBUTION OF GROSS OPERATING REVENUE LARGE ELECTRIC UTILITIES IN CALIFORNIA

1972 - 1978



NOTE: Distribution percentage allotted to Depreciation + Operating Taxes + Operating Expenses + Net Operating Revenue = 100% = Gross Operating Revenue.

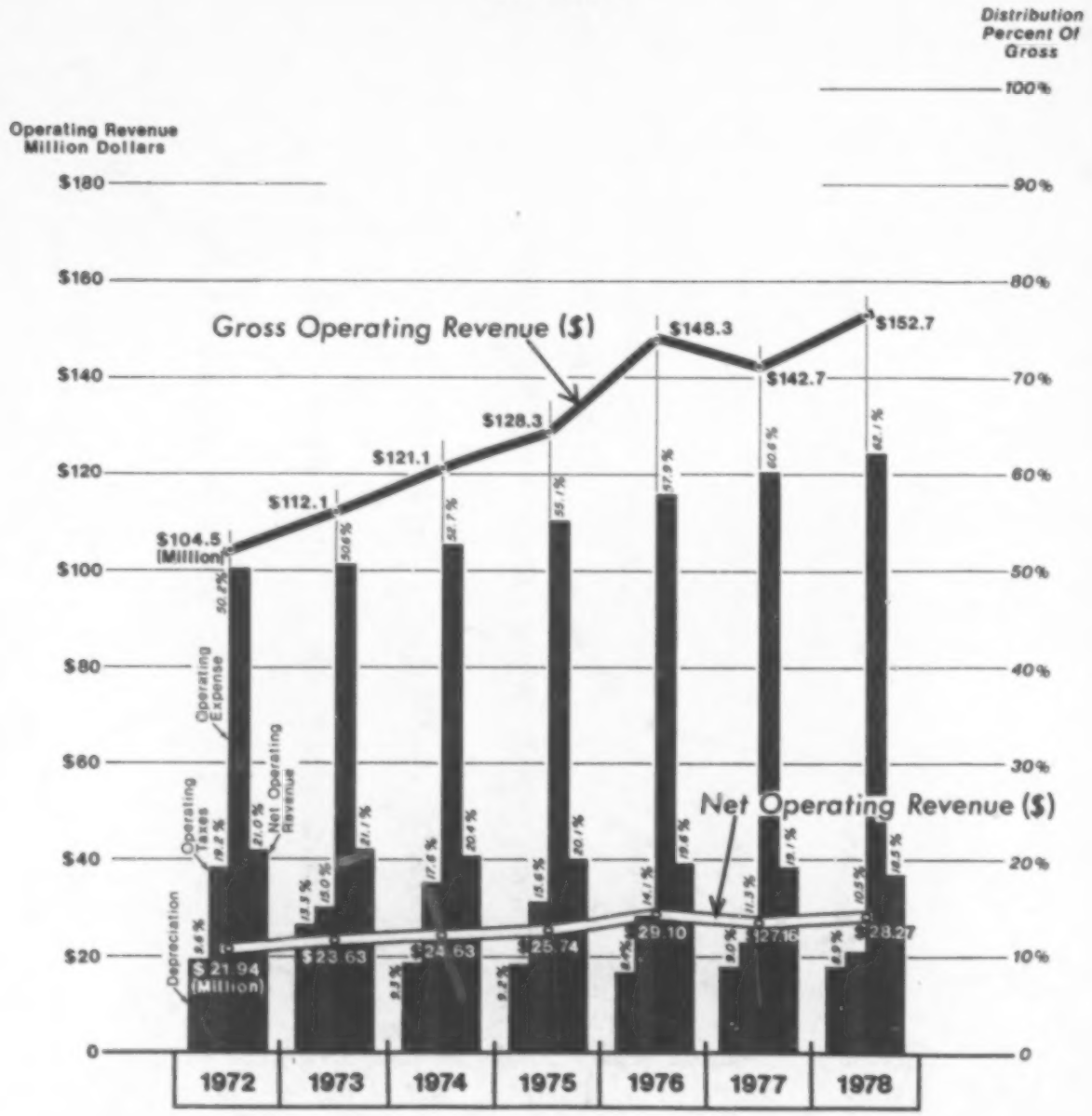
DISTRIBUTION OF
GROSS OPERATING REVENUE
LARGE GAS UTILITIES
IN CALIFORNIA
1972 - 1978



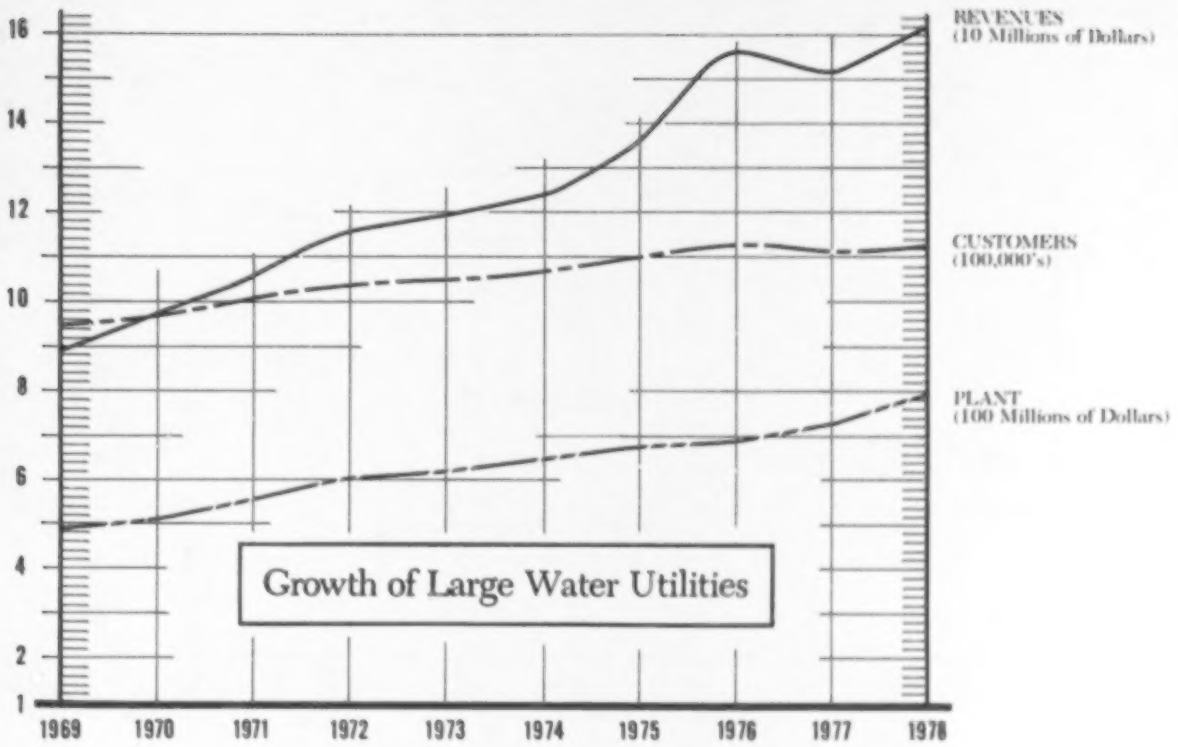
NOTE: Distribution percentage allotted to Depreciation + Operating Taxes + Operating Expenses + Net Operating Revenue = 100% = Gross Operating Revenue.

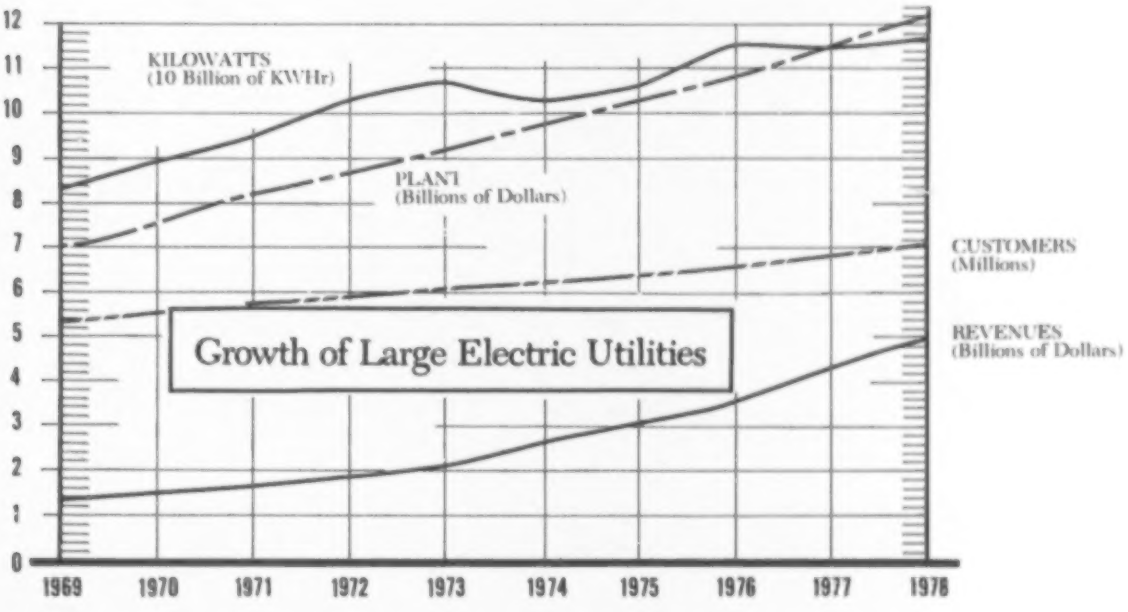
DISTRIBUTION OF GROSS OPERATING REVENUE LARGE WATER UTILITIES IN CALIFORNIA

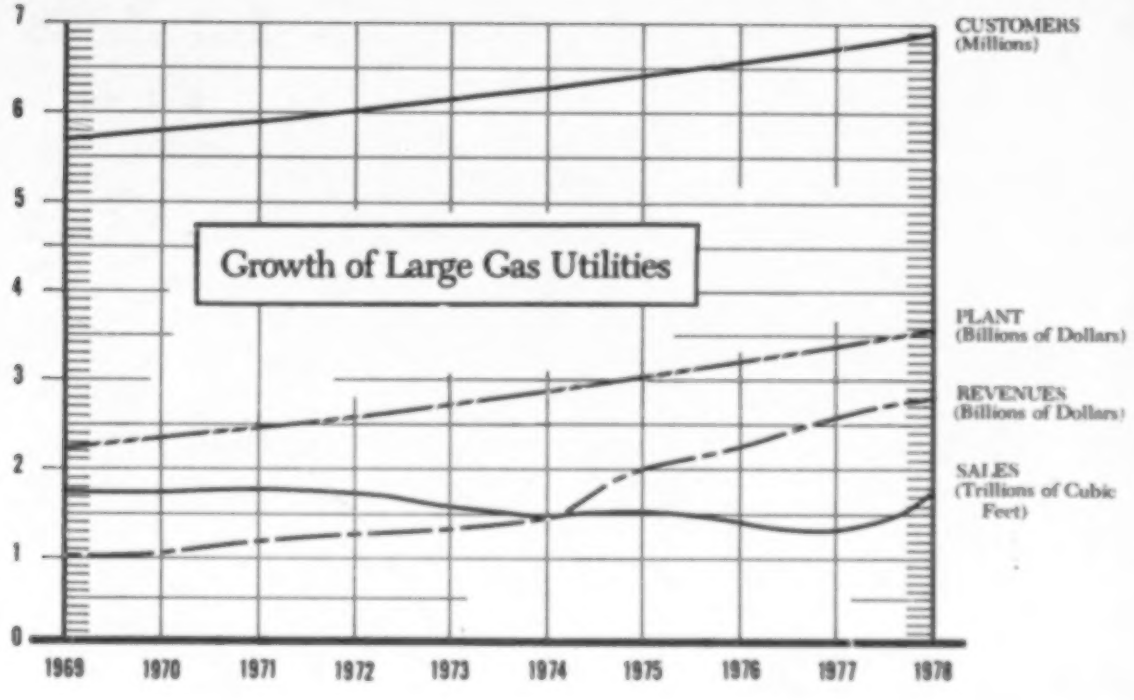
1972 - 1978

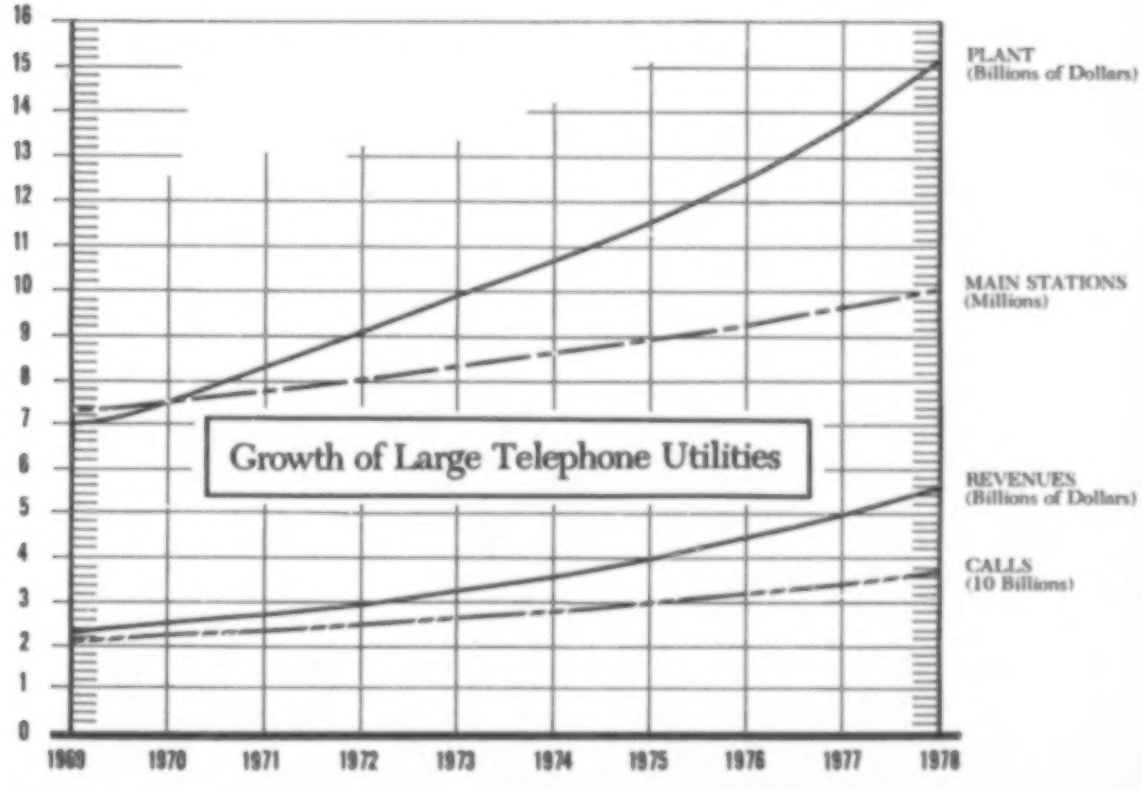


NOTE: Distribution percentage allotted to Depreciation + Operating Taxes + Operating Expenses + Net Operating Revenue = 100% = Gross Operating Revenue.


16
14
12
10
8
6
4
2
1
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
REVENUES
(10 Millions of Dollars)
CUSTOMERS
(100,000's)
PLANT
(100 Millions of Dollars)
Growth of Large Water Utilities

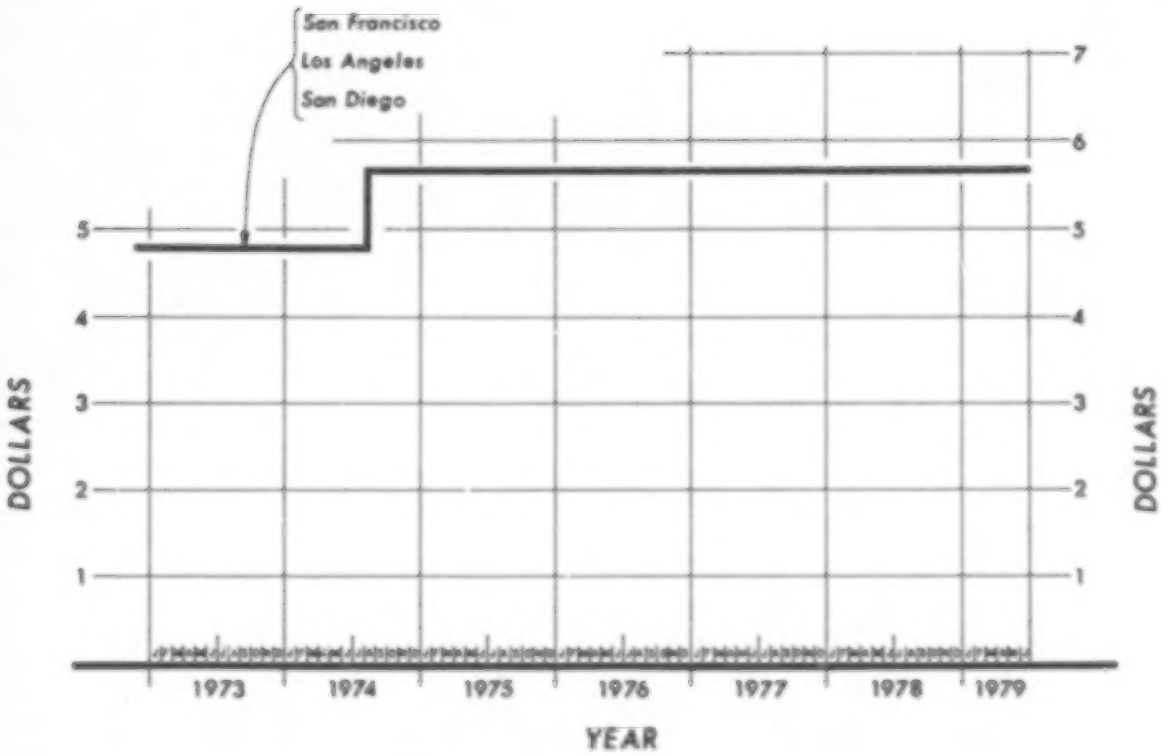

12
11
10
9
8
7
6
5
4
3
2
1
0
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
KILOWATTS
(10 Billion of KWHr)
PLANT
(Billions of Dollars)
CUSTOMERS
(Millions)
REVENUES
(Billions of Dollars)
Growth of Large Electric Utilities


Growth of Large Gas Utilities
CUSTOMERS (Millions)
PLANT (Billions of Dollars)
REVENUES (Billions of Dollars)
SALES (Trillions of Cubic Feet)
0
1
2
3
4
5
6
7
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978

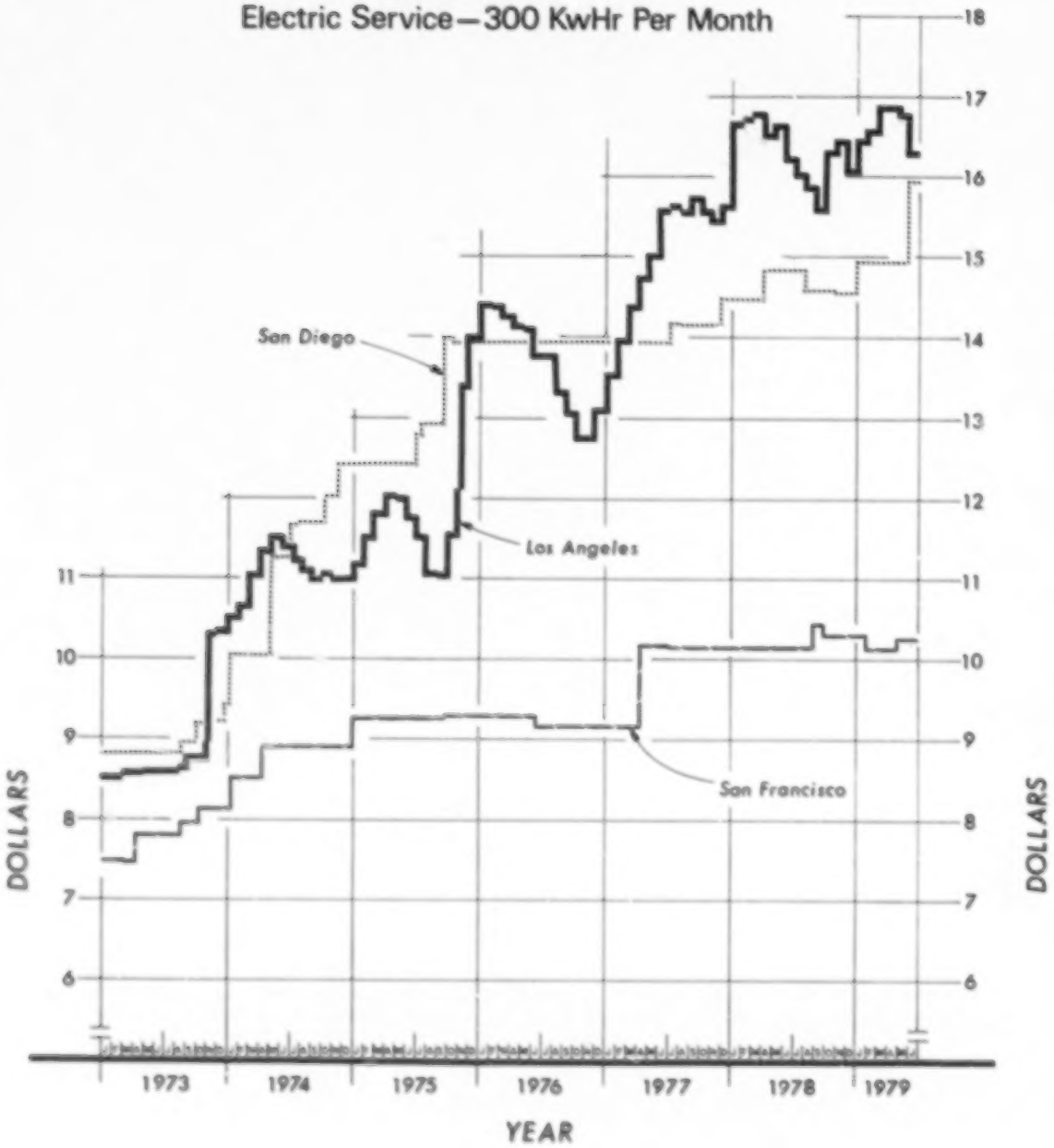

Growth of Large Telephone Utilities
PLANT (Billions of Dollars)
MAIN STATIONS (Millions)
REVENUES (Billions of Dollars)
CALLS (10 Billions)
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978

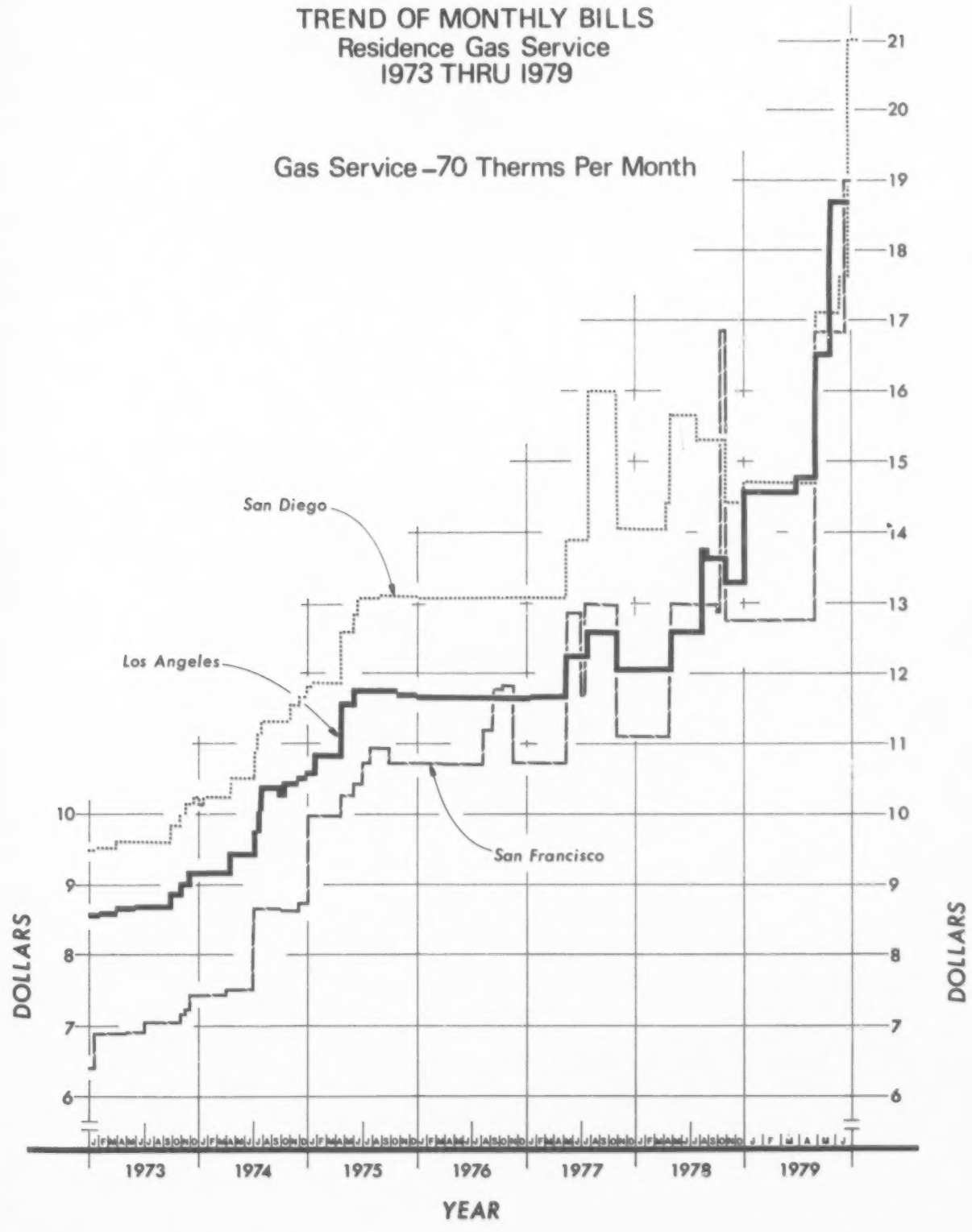
TREND OF MONTHLY BILLS
Residence Telephone Service
1973 THRU 1979

Telephone Service—One-Party, Flat Rate



TREND OF MONTHLY BILLS
Residence Electric Service
1973 THRU 1979

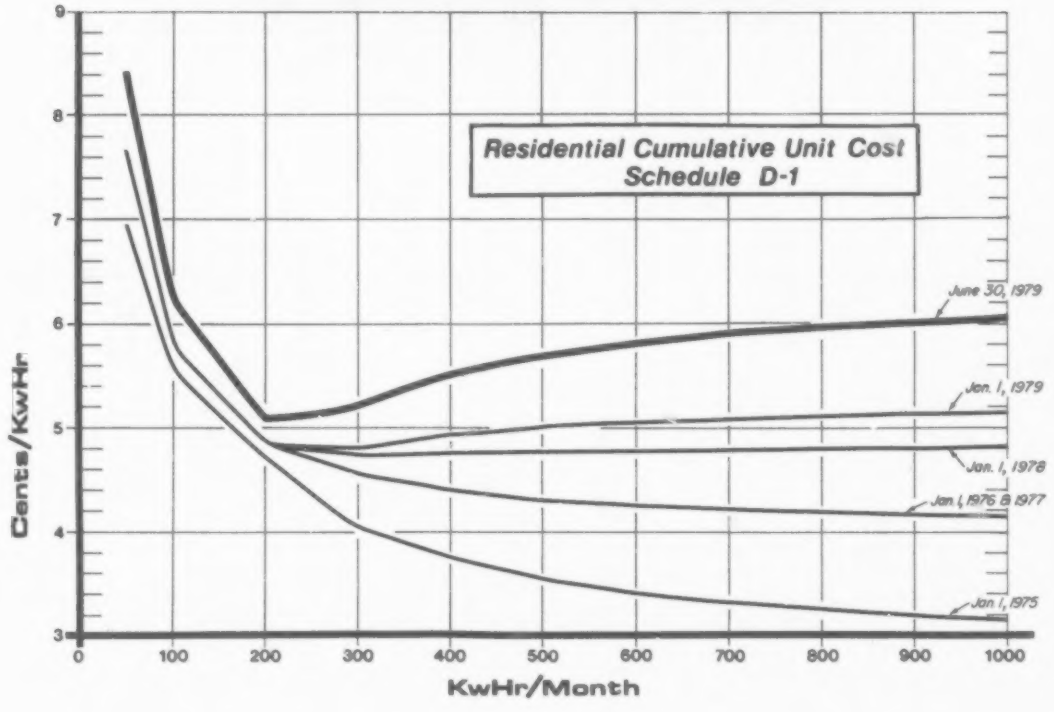


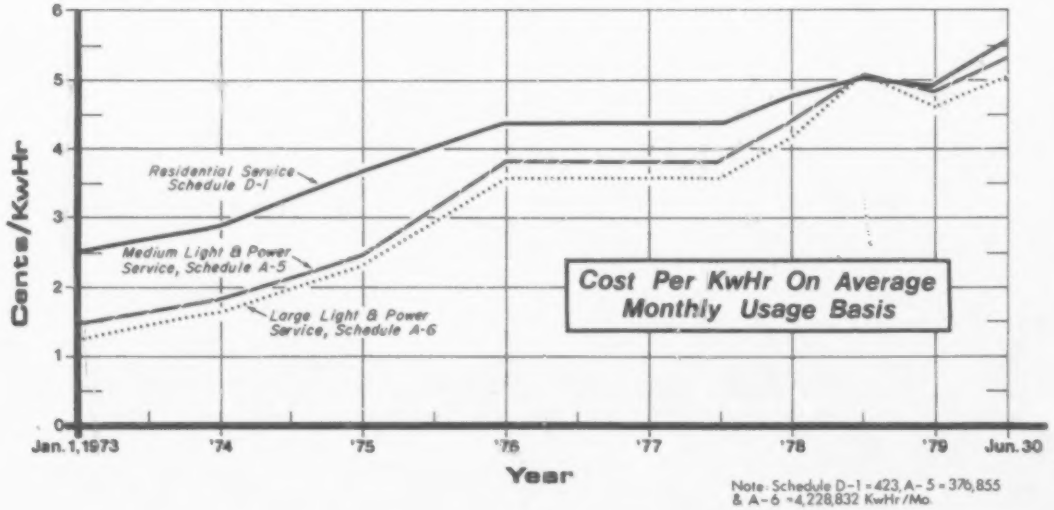

TREND OF MONTHLY BILLS
Residence Gas Service
1973 THRU 1979
Gas Service – 70 Therms Per Month
San Diego
Los Angeles
San Francisco
DOLLARS
DOLLARS
21
20
19
18
17
16
15
14
13
12
11
10
9
8
7
6
1973
1974
1975
1976
1977
1978
1979
YEAR

Electricity

RATE STRUCTURE REDESIGN

San Diego Gas And Electric Company



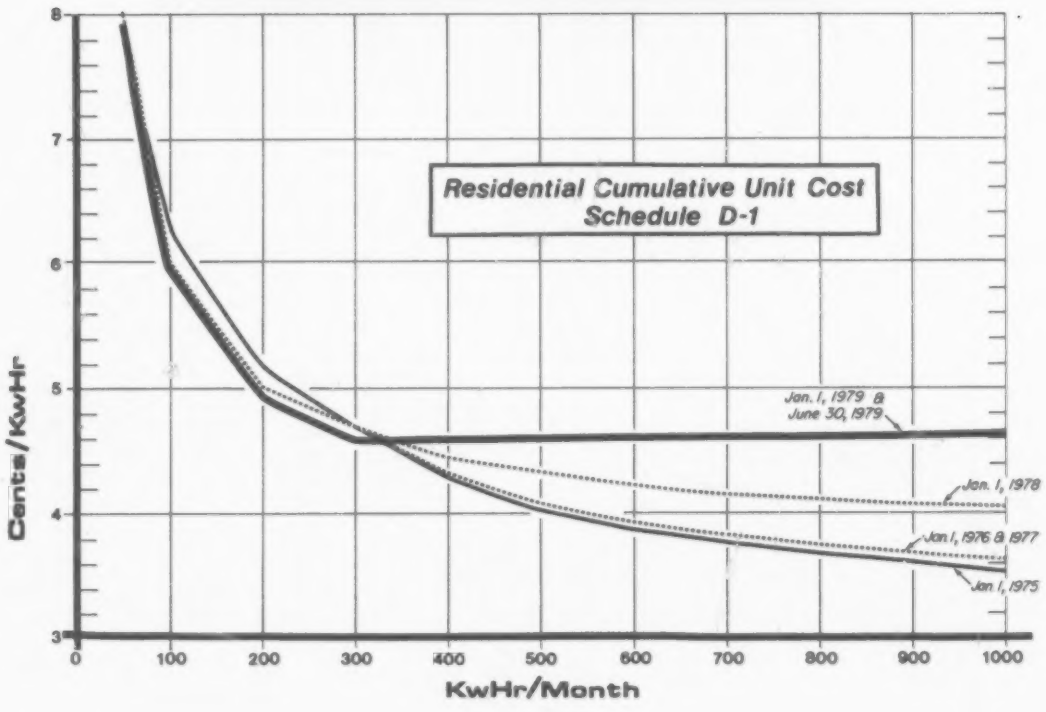


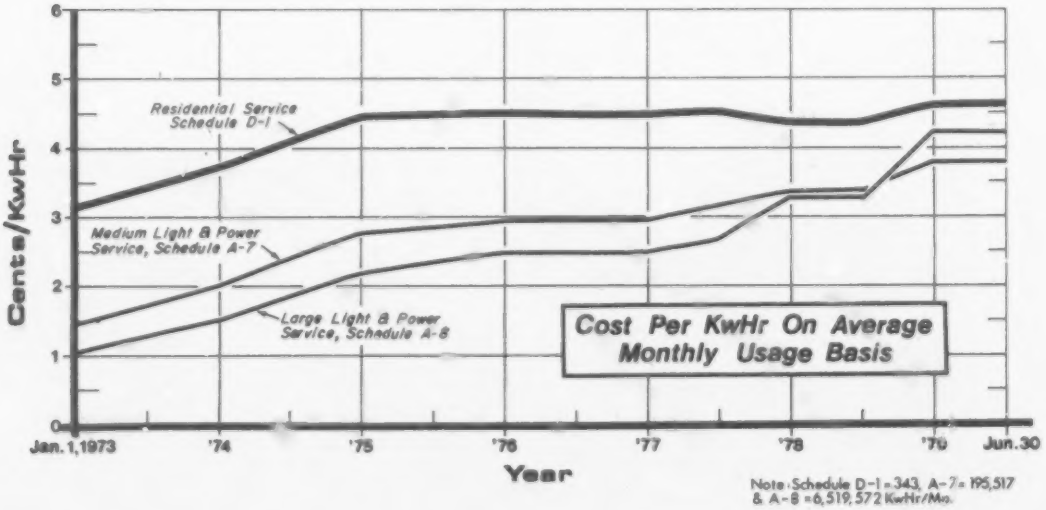
Note: Schedule D-1 = 423, A-5 = 376,855
& A-6 = 4,228,832 KwHr/Mo.

Electricity

RATE STRUCTURE REDESIGN

Southern California Edison Company





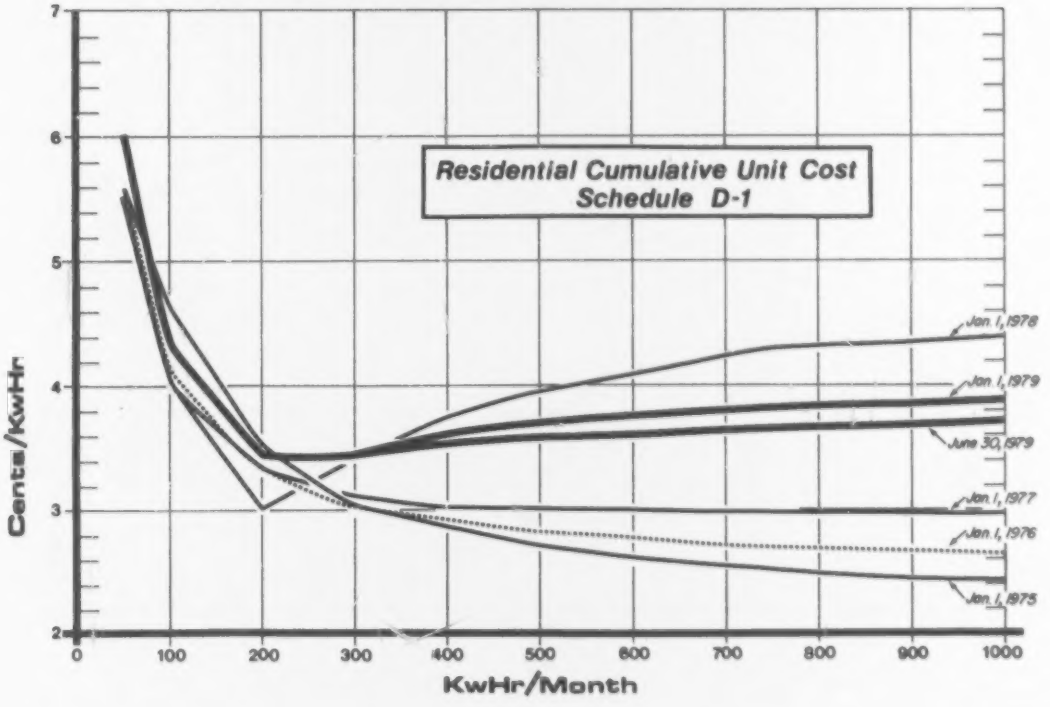
Note: Schedule D-1 = 343, A-7 = 195,517 & A-8 = 6,519,572 KwHr/Mo.

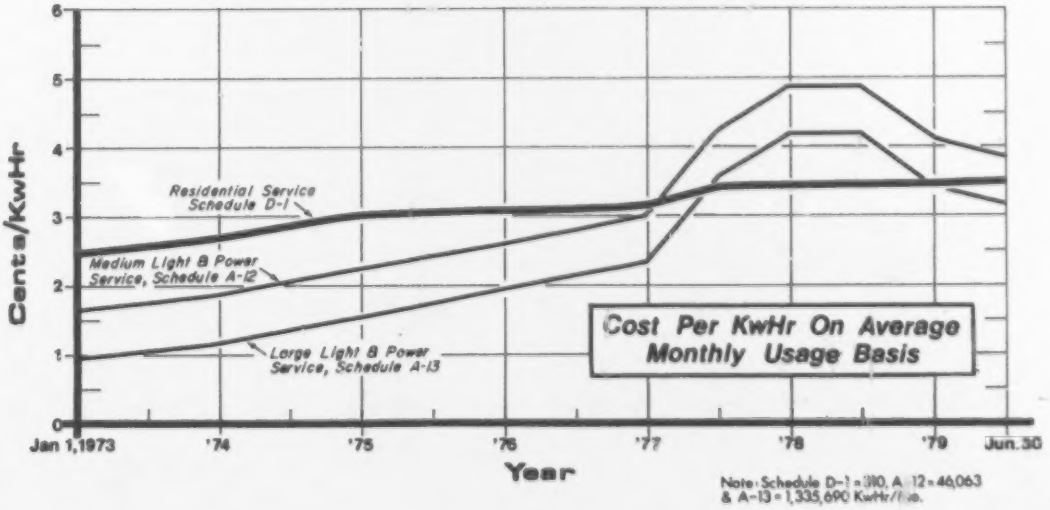
Electricity

RATE STRUCTURE REDESIGN

PG and E

Pacific Gas And Electric Company





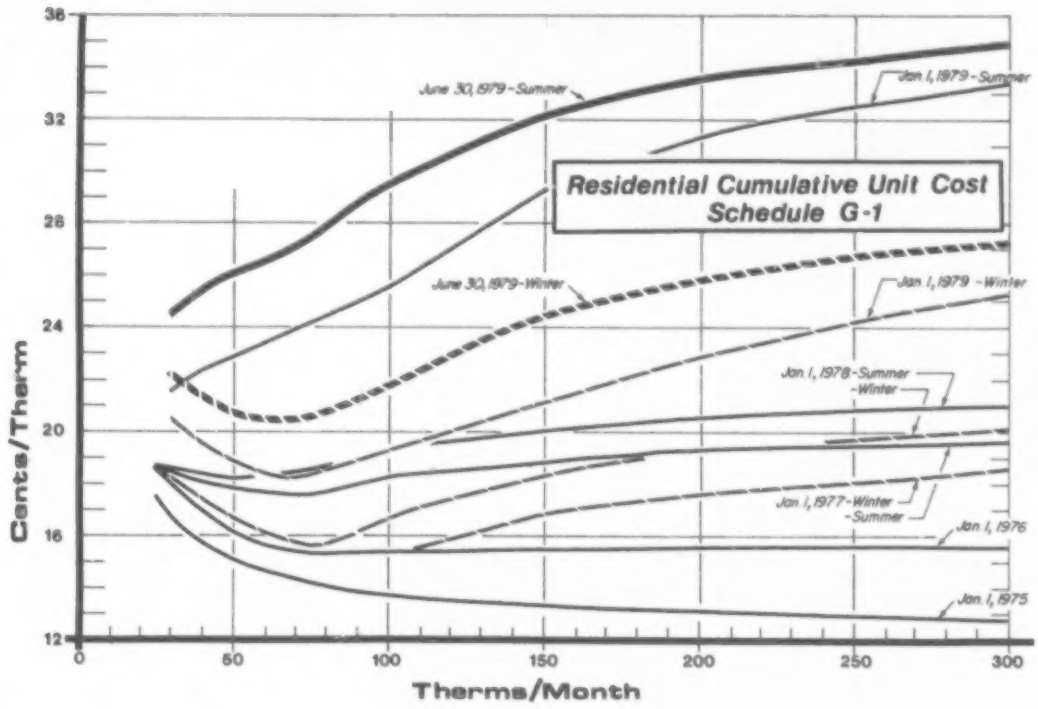
Note: Schedule D-1 = 310, A-12 = 46,063
& A-13 = 1,335,690 KwHr/mo.

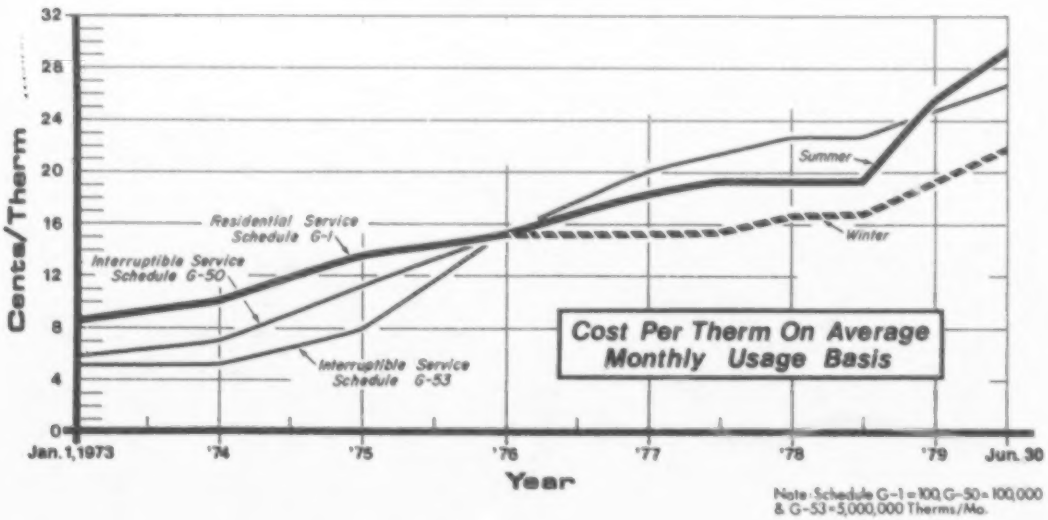
Natural Gas

RATE STRUCTURE REDESIGN

PG and E

Pacific Gas And Electric Company





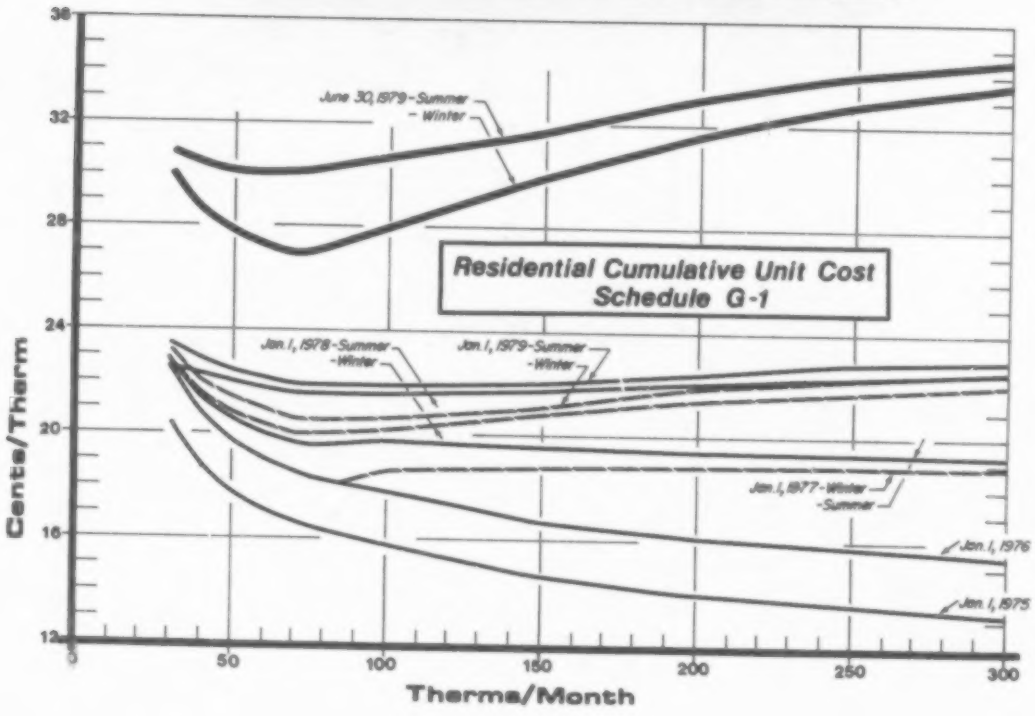
Note: Schedule G-1 = 100, G-50 = 100,000 & G-53 = 5,000,000 Therms/Mo.

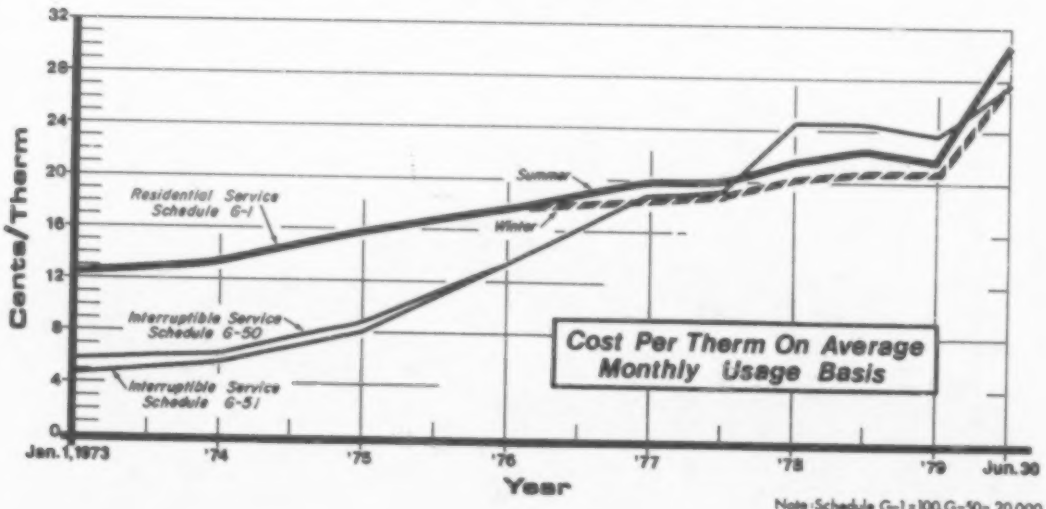
Natural Gas

RATE STRUCTURE REDESIGN

SDG&E

[redacted]

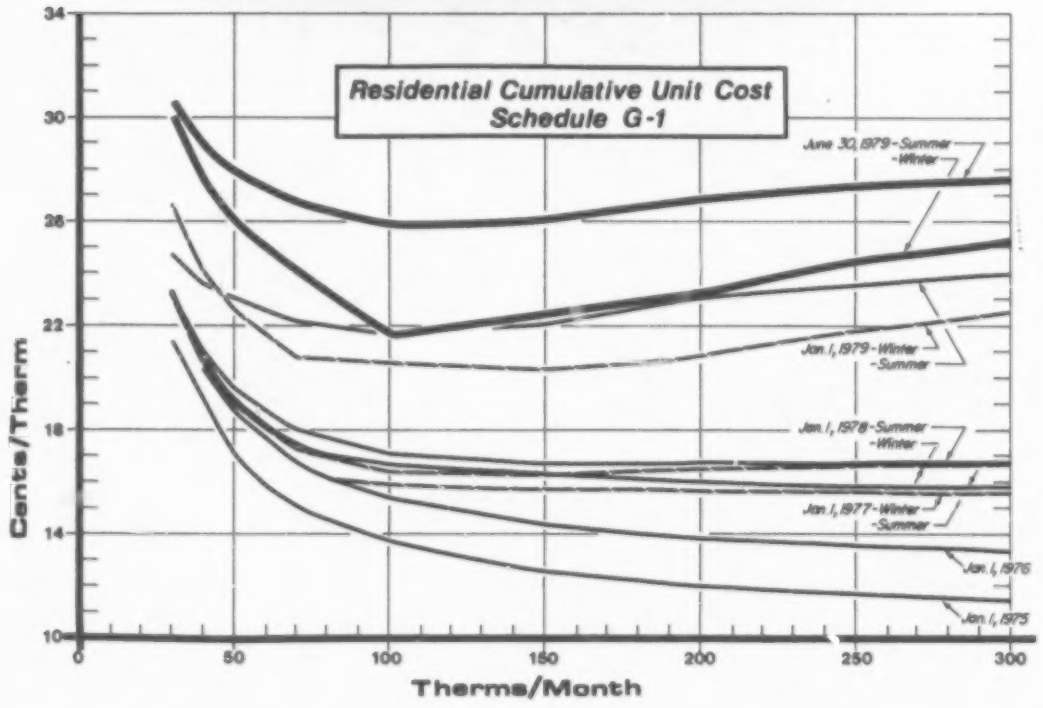


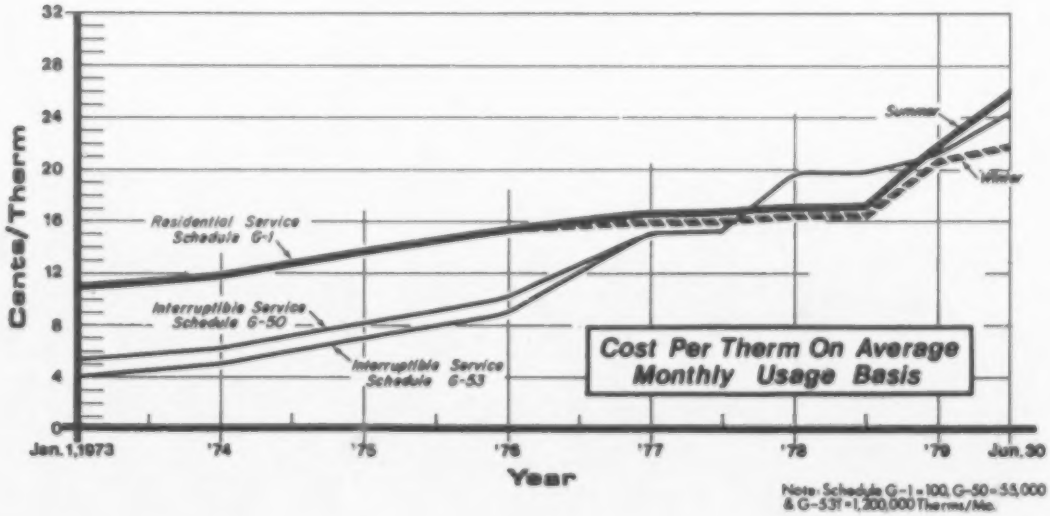


Note: Schedule G-1 = 100, G-50 = 20,000 & G-51 = 175,000 Therms/Mo.

Natural Gas

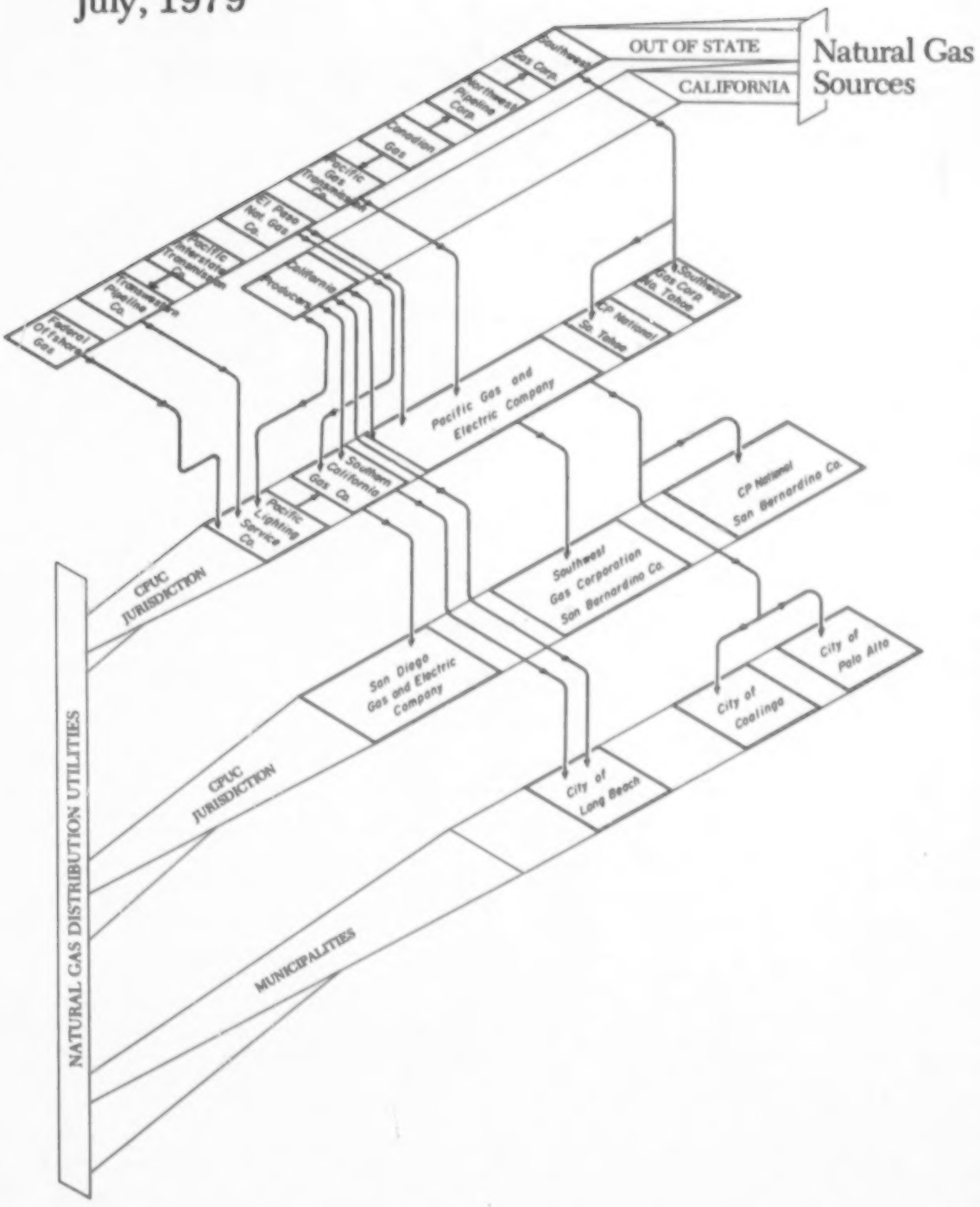
RATE STRUCTURE REDESIGN



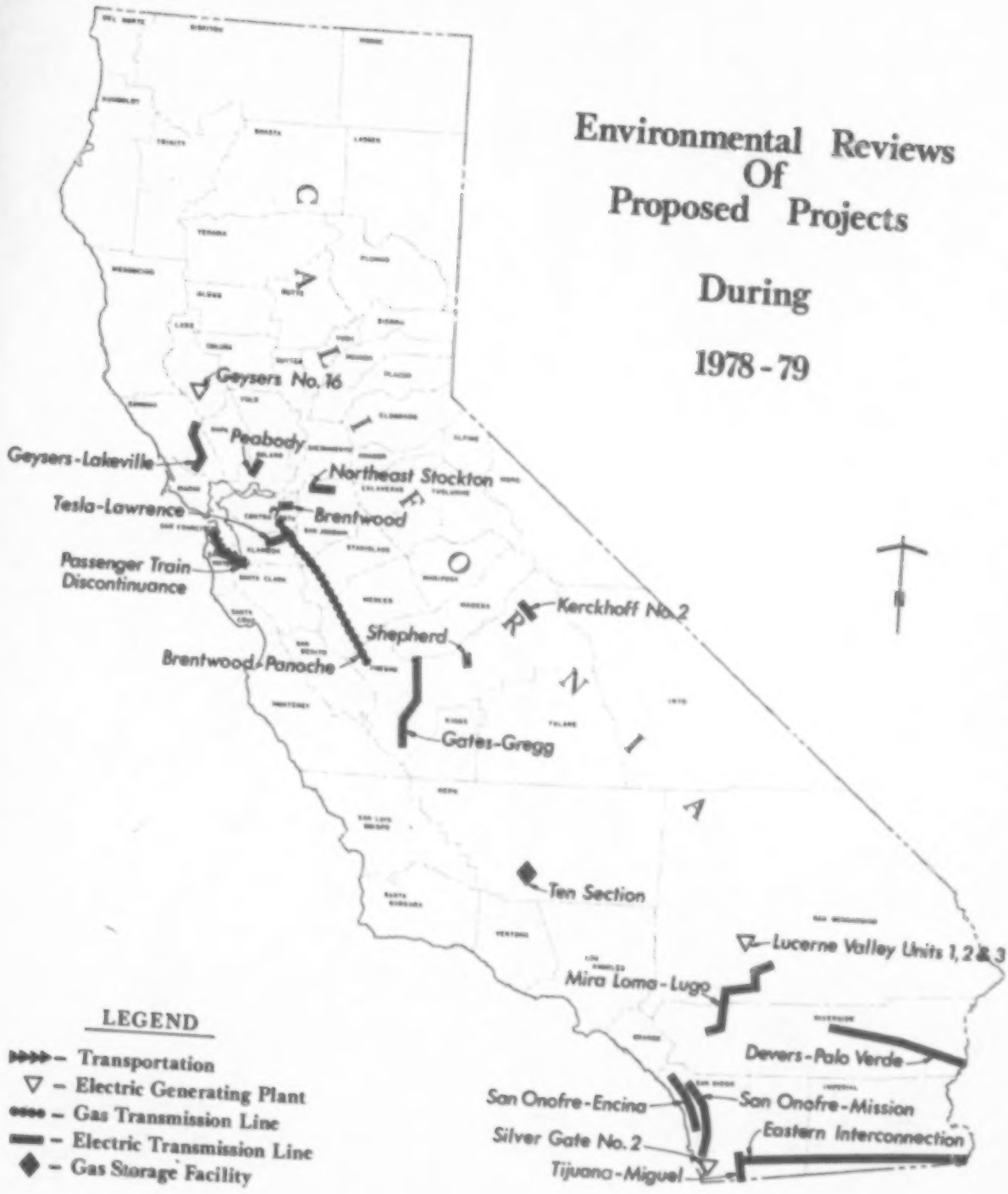


Note: Schedule G-1 = 100, G-50 = 55,000 & G-53T = 1,200,000 Therms/Mo.

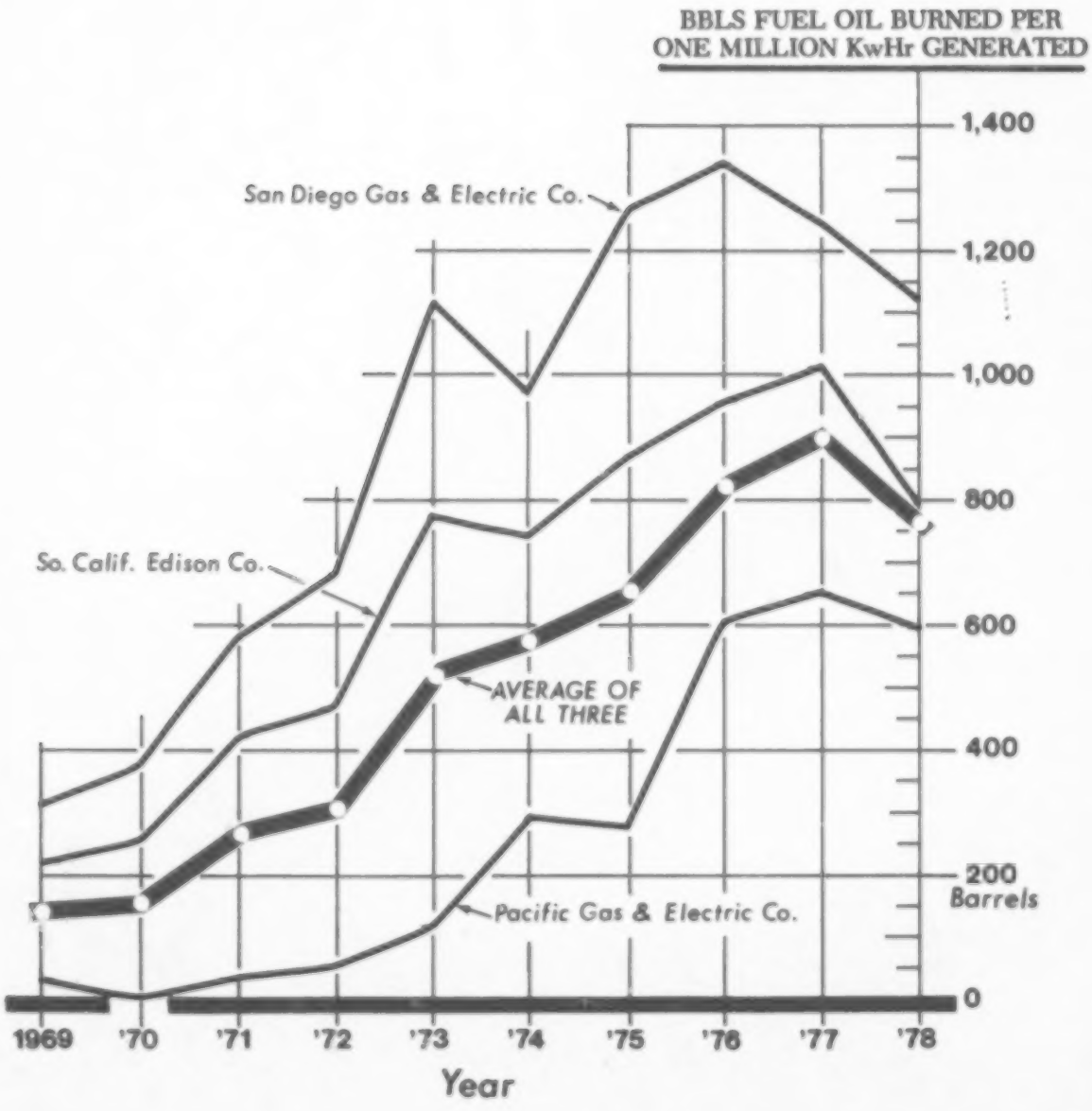
California Utilities
Natural Gas Flows
July, 1979



Environmental Reviews Of Proposed Projects During 1978 - 79



Fuel Oil Portion of the Mix Needed to Generate One Million KwHr of Electricity



TRANSPORTATION DIVISION

JAMES K. GIBSON
Director

The commission regulates airlines, motor carriers of freight, passenger buses, pipelines, railroads, vessels and warehouses. The Transportation Division provides staff work for the commission in regulating transportation in respect to rates, service and facilities, and licensing.

The main responsibilities of the Transportation Division are: to secure to the public rates and services which are just, reasonable and free of unlawful discrimination, preferences or prejudice; to enforce observance of established rates, rules and regulations and statutory requirements; to collect statutory fees and issue licenses to operate transportation services; to provide for safety on railroad operations, railroad-highway grade crossings and rail rapid transit systems.

These responsibilities are discharged through presentations in proceedings before this commission, federal regulatory bodies and the courts, and through administrative staff action.

The staff of the Transportation Division, consisting of professional, technical, and clerical personnel is organized into six branches as follows:

Freight Economics

The Freight Economics Branch studies traffic flow, rates, costs and economics, including results of operations, for the transportation of freight and the storage of property in rate adjustment proceedings. Analysis of physical characteristics and traffic patterns of federal and state highways, city streets, and county and U.S. Forest Service roads in California is undertaken by the branch in order to establish constructive mileage for distances to be used to determine motor carrier freight rates.

The branch also participates in interstate proceedings before federal regulatory agencies or the courts in connection with freight rate matters.

It prepares traffic flow information to be used by the commission, the commission staff and interested parties in developing reasonable rates for the transportation of property by for-hire highway carriers.

It also gathers cost performance data from for-hire highway carriers of property regulated by the commission and analyzes it in report form.

The reports are used in public hearings before the commission by the staff, the public, carriers, shippers and their association, and are also made available to other State and Federal agencies.

Tariff and License

The Tariff & License Branch issues highway carrier permits and recommends approval or denial of formal applications for freight or warehouse operative rights. It makes recommendations for authority to deviate from minimum rates and on rate adjustments filed under the Shortened Procedures Tariff Docket. It also undertakes the administrative action relative to suspension, reinstatements or revocation of operative rights for non-compliance with statutory insurance, bonding, fee, tax, tariff filing and administrative requirements. The Tariff & License Branch processes quarterly reports of gross operating revenue which are used to collect Transportation Rate Fund Fees and the Highway Carriers' Uniform Business License Tax.

The branch also compiles commission tariffs and the registration of interstate motor carriers operating in California. Information concerning licensing requirements and the interpretation and application of transportation and warehouse rates is provided to the general public by the branch staff.

Compliance and Enforcement

The Compliance and Enforcement Branch conducts comprehensive investigations to determine whether the services performed and the rates assessed by highway carriers and related businesses are in compliance with the Public Utilities Code, tariff requirements and commission general orders. When violations are disclosed the staff uses one of several informal compliance procedures, or prepares a report and develops evidence to place the action before the commission or in the courts.

These activities are performed by personnel in the commission's 17 district offices located throughout the state. These offices also receive and transmit for processing to the Consumer Affairs Branch inquiries and complaints about utilities and passenger transportation matters.

Passenger Operations

The Passenger Operations Branch consists of a Passenger Air Section and a Passenger Surface Section. The branch processes applications for charter party permits and for passenger certificates. Tariffs, timetables, insurance and service requirements for passenger carriers are administered by the branch. Numerous studies are conducted for use in evaluating proposed fare adjustments, adequacy of service, proposed route certification and environmental impact of proposed passenger service.

The branch also participates in interstate proceedings before federal regulatory agencies or the courts involving passenger transportation.

Railroad Operations and Safety

The Railroad Operations & Safety Branch administers General Orders relative to grade crossings and safety of railroad operations and facilities. Engineering studies of railroad-highway grade crossings are conducted in order to evaluate the need for grade separations. Formal applications involving the reduction of railroad station, agency, siding or spur track service are also studied.

Another important function of the Railroad Operations & Safety Branch is the surveillance of BART operational problems, car failure rates and safety procedures.

Highlights

Wage and Price Guidelines

The President's Council on Wage and Price Stability issued voluntary standards (Guidelines) for noninflationary wage and price behavior on October 31, 1978, which were revised on December 13, 1978.

The Council has requested that federal, state and local government regulatory agencies ensure compliance with these standards. Accordingly, the commission has enunciated the policy of complying with these standards, to the fullest extent possible, by the issuance of a formal resolution on January 30, 1979 and has consistently observed this policy by limiting the amount of rate increase requested by various regulated entities.

In a recent proceeding involving requested increases in dump truck rates, the staff vigorously opposed such rate increases, taking the position that no amount of additional increases were allowable under the guidelines. The staff set forth its views in a closing brief, which was submitted to the presiding Administrative Law Judge. Briefs were also submitted by the petitioner and other interested parties at this proceeding and the matter is now awaiting the commission's decision.

Rate Bureaus

Hearings in Case 10368, the commission's inquiry into the activities of rate bureaus, were held in July and December 1978.

Testimony was initially presented by witnesses from the Antitrust Division of the United States Department of Justice and the American Enterprise Institute. Both witnesses presented exhibits relating to an economic analysis of collective rate-making by motor carrier rate bureaus and took the position that the greatest economies would result from deregulation by removing antitrust immunity from rate bureaus and freeing entry.

The staff presented evidence in December 1978 which included a staff report suggesting options for implementing carrier-filed rates either through carrier agreements authorized under Section 496 of the Public Utilities Code or by individual carriers acting on their own behalf. The matter was adjourned to a date to be set at which time additional evidence will be presented by the staff and other interested parties.

Rail Rate Increases

General Rate Increases—Intrastate

From time to time, the nation's railroads petition the Interstate Commerce Commission for general increases in interstate freight rates. Such petitions are supported by a showing of revenue need. After obtaining authority to increase interstate rates, the railroads customarily apply to the commissions of the various states for authority to increase the intrastate rates to the same level. Two such general increases were handled by this commission during the year.

Pacific Southcoast Freight Bureau filed Application 58153 to implement the Ex-Parte 349 increase (4% with exceptions). The commission granted the increase in Decision 89495 on October 3, 1978.

Due to the Interstate Commerce Commission's decision (later overturned on appeal) that it lacks authority to grant antitrust immunity to rate bureaus for intrastate rate-making, the major California railroads filed separate applications, Numbers 58543, 58556, 58623, 58687, and 58691, to implement the Ex-Parte 357 increase (7% with exceptions) in California. These applications were joined and, with two exceptions, were approved in Decision 90134 on March 27, 1979. Hearings began regarding the two exceptions—rates on sugar beets and wood chips—which were the subject of protests, but were not completed by the end of the fiscal year.

Carrier Operations, Licensing and Tariffs

Highway Carrier Freight Transportation

Gross revenues earned by all modes of for-hire carriers of property from California operations increased by almost $558 million in 1978 to a total of just over $4 billion for the year.

This increase of approximately 16 percent is very close to the percentage gain reported by the carrier industry in 1977.

Almost the entire increase in revenue is attributed to the operations of highway carriers who reported total revenues of over $3.9 billion, of which almost $2.68 billion was subject to taxation under the Transportation Rate Fund Act. The increase reflects both inflation and real growth in the economy.

During 1978, rate increases authorized by the PUC ranged from 4.5 to 13 percent and averaged about 7.5 percent. When applied to the taxable increase in highway carrier revenues of $272 million, it is estimated that the net real growth in California intrastate traffic was about 4.3 percent.

California interstate and foreign operations accounted for the majority of all additional revenue, about $285 million, gained by highway carriers in 1978. It is also apparent that both interstate and intrastate highway carrier traffic is growing at the same rate.

As in previous years, highway carriers continue to dominate the freight market and increase their share of total revenues. In 1978, their market participation advanced to 96.16 percent of the total.

Freight revenues of water carriers, railroads and air carriers collectively represent a very small portion of total freight revenues—about four percent.

Railroads reported about $147 million in 1978, an increase of only $3 million, and a further decline in their market share of 3.61 percent of all freight revenue. Water carriers increased their earnings by about $400,000 to just under $1.4 million. In contrast, air freight operations showed a decline of about 10.6 percent, which is a break in their long trend of yearly advances aggregating over 300 percent since 1969.

Highway Carrier Operating Authorities

The conversion of radial highway common carrier permits into highway common carrier certificates of public convenience and necessity and/or highway contract carrier permits pursuant to Senate Bill 860 is proceeding under the schedule established by the commission in Decision 90351. In its decision the commission extended the final grant date of the operating authorities to October 31, 1979, and set January 31, 1980 as the operational date for all the certificates.

All certificate holders who intend to provide direct service for the public must file appropriate tariffs within sixty days after their certificates are granted. The tariffs will be effective January 31, 1980 on thirty days advance notice to the commission and the public.

In order to allow maximum opportunity to shape and develop their operations, the carriers may expand or reduce the services provided under the certificates by making corresponding adjustments to their tariffs. After the first five year period, the commission will conform the certificates to the operations performed. Affidavits of Subhauling will be filed in place of tariffs by those carriers who intend to initially engage exclusively in independent contractor subhaul operations; subsequent prime carrier operations must be covered by tariff filings. Services provided under contract carrier permits will be subject to written contracts on file with the commission between the parties thereto, except for services not presently subject to the commission's minimum rate tariffs.

The extension of the final grant date and the date all authorities are to become operational was made in response to Assembly Bill 27 which liberalized the filing requirements to allow over 2,000 carriers who could not qualify under S.B. 860 to convert their radial permits. The filings of the 14,618 carriers eligible under S.B. 860 are shown below:

Certificate	1,270
Permit	2,040
Certificate and Permit	9,530
Total carriers who filed	12,840

By the end of the fiscal year 5,018 converted certificates and 3,927 contract carrier permits were granted. In addition, about 9,000 carriers filed for grandfather agricultural carrier permits under S.B. 860 and 8,407 have been granted. These authorities may be exercised immediately.

All eligible carriers have been notified of the provision of Assembly Bill 27 and informed that they may file for any or all of the authorities available under S.B. 860 by submitting their applications by October 1, 1979. Thereafter, when the authorities become operational all radial permits will be revoked by operation of the law. Although the radial permits will be discontinued, there will be a major net increase in the total number of outstanding highway carrier operating authorities.

The commission now grants eight types of highway carrier permits, three kinds of highway carrier certificate and a Motor Transportation Broker License. As of the end of the fiscal year there were 37,861 permits and certificates outstanding held by 22,609 highway carriers. The number of permits processed is not directly usable for comparison purposes with previous periods. The grant of the S.B. 860 authorities will tend to distort the long term trend of such data. Processing activity for calendar year 1978 is shown below.

Highway Carrier Authorities

New Permits	7,783 *
Transfers	1,837
Revocations	1,935
Motor Transportation Broker Licenses	1
Total	11,536

* Includes 4,193 Agricultural Permits

Financial Requirements

Case No. 10278 is a general investigation into the for-hire trucking field. Phase I of this proceeding concerned the financial qualifications which should apply for the issuance or transfer of highway carrier permits and, also, the level of public liability and property damage insurance coverage or equivalent protection for the public to be maintained by highway carriers.

In Phase I the commission established a reliable means of verifying that applicants for highway carrier permits

have sufficient operating capital to cover expenses which will occur during the first 45 days of operations. Applicants are required to file a balance sheet and a profit and loss statement reflecting anticipated results of operations for up to one year. Revenue expectations are verified by statements from prospective shippers.

The License Section is primarily responsible for review and analysis of permit application and recommendation for grant or denial. Applications filed at PUC District Offices are given initial review by staff personnel who submit their recommendations to the License Section for final decision. This procedure allows direct consultation with applicants at locations convenient to the public.

The filing fees of $500 for new issuance and $150 for transfer of permits are not refundable. Where an applicant does not qualify for a permit his application is denied and the filing fee is forfeited. As a result of consultation with the commission representatives most parties who clearly do not qualify under the financial standards or are borderline cases defer their filings until it is apparent that they will qualify and thus avoid loss of their filing fees. As a result of this program very few applications have been denied.

Insurance and Surety Bonds

Highway carriers are required by provisions of the Public Utilities Code and the commission's General Orders to maintain on file evidence of financial protection for the public. In most cases this is accomplished by insurance coverage at minimum levels for bodily injury, death and property damage liability. Cargo insurance is required to be maintained by household goods carriers and bonds are filed by carriers who handle C.O.D. shipments, engage subhaulers or lease highway equipment from employees.

In Phase I of Case No. 10278, the commission increased the minimum public liability and property damage insurance limits or equivalent protection required to be maintained by highway carriers, certain freight forwarders and express corporations. The increased protection also applies to California operations of those carriers engaged in interstate or foreign operations exempt from regulation by the Interstate Commerce Commission.

The commission in its decision on this matter indicated that the insurance limits were last increased in 1959 and had not kept abreast with inflation. The new minimum limits which will become effective on October 1, 1979 are as follows:

Minimum Limits

	Public Liability		Property Damage
	1 Person	2 or more Persons	
Bulk Petroleum Carriers	$500,000	$1,000,000	$200,000
All other affected carriers	$250,000	$500,000	$100,000

All affected carriers have been notified of the new insurance requirements and have been urged to arrange for the increases well before the final date. In order to minimize processing cost the staff has requested the insurance companies to issue blanket confirmations of increased insurance coverage for the approximately 30,000 carriers affected.

The full impact of the new insurance minimum limits on the processing capabilities of the License Section will not occur until mid-summer 1979 at which time the volume of work processed will sharply increase. Processing of insurance filings and bonds by the License Section in fiscal year 1978–79 is shown below:

Insurance and Bond Filings of Highway Carriers of Property

Public Liability and Property Damage	28,748
Cargo Insurance (Household Goods Carriers)	1,358
Insurance Cancellations	25,752
Insurance Reinstatements	4,394
Surety Bonds and C.O.D. Bonds	504
Total	60,790

Common Carrier Certificate Authority

Many of the Commission's ex parte decisions and resolutions affecting highway carrier certificates of public convenience and necessity are prepared by License Section personnel. Personnel of this Section also provide technical review of proposed decisions involving such matters prepared by Administrative Law Judges and, where warranted, will participate in public hearings to see that the record of the proceeding is sufficiently developed to provide an adequate basis for a decision. In fiscal year 1978–79 the License Section handled 177 formal matters affecting certificates as follows:

New Certificates and Extensions	13
Revocations	13
Transfers	31
Total	57

These matters do not include S.B. 860 certificates which will become operational on January 31, 1980. In the interim, the commission at the request of the License Section has adopted resolutions to facilitate the smooth transition from radial highway common carrier permits to avoid disruptions in ongoing business operations. Under these resolutions carriers may transfer their radial permits and converted certificates with the full scope of the granted operating rights where the transfer involves the continuation of the going concern with no substantial change in ownership, such as the incorporation of a sole proprietorship.

Transportation Rate Fund and Uniform Business License Tax

The Transportation Rate Fund Act and the Highway Carriers' Uniform Business License Tax Act are administered concurrently by the License Section. During fiscal

year 1978–79 the Rate Fund fee was 9/40 of 1% and the tax was 1/10 of 1%. The income from the Rate Fund is used to support the commission's activities affecting highway carriers and the receipts from the tax are deposited with the Office of the State Controller for distribution to the cities in lieu of business license or excise taxes on the highway carrier's transportation business. The Accounting Unit of the License Section is responsible for the collection, processing and accounting for the taxes and fees. This unit also handles application fees for highway carrier permits and payment for minimum rate tariffs purchased by carriers and non carriers. Enforcement of the Rate Fund Fee and the tax is made by suspension and revocation of operating authorities pursuant to delegated authority from the commission to the Executive Director. Collection under the Rate Fund and tax in fiscal year 1978–79 totalled almost $14 million. For the next fiscal year the level of the fee and tax will remain unchanged. A statement of the fees collected under Chapter 6 (Section 5001 through 5011) of the Public Utilities Code is set forth below.

Statement of Revenue and Operating Expenditures

Accumulated Surplus, July 1, 1978	$5,371,594		
Prior Year Adjustment	9,952	$5,381,546	
Revenue, July 1, 1978 thru June 30, 1979		11,607,536	
Total Resources Available			$16,989,082
Less: Expenditures July 1, 1978 thru June 30, 1979	8,770,258		
Less: Reporting Reimbursements	10,088		8,760,170
Estimated Surplus			$8,228,912

Conversion of Cement Carrier Permits into Cement Carrier Certificates

Assembly Bill 1559 which became law on January 1, 1979, authorized cement contract carriers to convert their permits into cement carrier certificates of public convenience and necessity. The conversion is not mandatory and no qualifications or filing fee are necessary. At the time the assembly bill was enacted 56 parties held cement contract carrier permits. Preparatory to processing conversion applications, the License Section requested each cement contract carrier and all cement carriers to demonstrate by submitting a shipping document that their operating authority had been timely exercised and had not lapsed and terminated as required by the Public Utilities Code. This inquiry resulted in the revocation of 5 cement contract permits and 4 cement carrier certificates. By the final filing date of June 29, 1979, a total of 45 carriers filed applications for conversion. The converted authorities will be granted to the applicants in early fiscal year 1979–80 and their cement contract carrier permits will be cancelled.

Regulation of Interstate and Foreign Carriers

To assure that all for-hire highway carriers operating in California maintain the required levels of insurance or equivalent protection for the public, the License Section administers the Interstate and Foreign Highway Carriers' Registration Act in coordination with the California Highway Patrol and the commission's Compliance and Enforcement Branch. Under the Act all interstate or foreign carriers are required to register with the commission and obtain identification stamps for their power vehicles. Carriers exempt from interstate operating authority requirements must also file evidence of adequate insurance with the commission. This program is funded solely from the registration and stamp fees and is enforced by periodic road checks to monitor carrier compliance. In fiscal year 1978–79 9,021 carriers were registered and 231,516 identification stamps were issued.

Suspension and Revocation of Carrier Operations

The Public Utilities Code and the commission's implementing orders specify a number of causes for suspension and revocation of highway carrier operating authorities. Prominent among these reasons are failure to maintain on file evidence of adequate insurance coverage and failure to pay fees and taxes. The carriers are provided with ample time to resolve the outstanding matter and typically are given several notices and frequently direct contact by commission representatives before their authorities are revoked. The commission has delegated authority to the Executive Director to reinstate revoked permits for a small fee where mitigating circumstances exist. In 1978 3,537 operating authorities held by 3,066 carriers were revoked.

Household Goods Examinations

Applicants for household goods carrier permits are required by provisions of the Public Utilities Code to demonstrate their knowledge and ability to perform the proposed service by successfully completing an examination. This requirement assures that those parties who engage in the for-hire transportation of used household goods for the uninformed public will be proficient in the rates, rules and regulations governing the giving of estimates, assessing transportation charges and processing loss and damage claims. In fiscal year 1978–79 a total of 145 new household goods carrier permits were granted and 88 were transferred.

Prime Carrier—Independent Contractor Subhauler Relationships

In its Decision 89575, as amended, the commission authorized a major expansion of the opportunity for the different classes and types of carriers to engage in subhaul

operations for each other. Both the overlying carrier and the subhauler were required to hold a permit or certificate which authorized transportation of the commodities to be shipped or the operation to be performed. Under the liberalized policy established by the commission, highway contract carriers may engage in subhaul operations for all other carriers, except household goods carriers and all carriers may subhaul for agricultural carriers. The commission's action in this area significantly increased the total number of carriers available for service in the various fields of for-hire service and enabled many carriers to participate as subhaulers in traffic which formerly was limited to carriers holding specific types of operating authority.

Dump Truck Carrier Permits

In 1969 the Dump Truck Carrier Permit was established by statute. Approximately 6,700 carriers who were engaged in dump truck carrier operations under other types of operating authorities were granted grandfather dump truck carrier permits. The legislation also provided for very rigorous standards to be met by new entries into the dump truck carrier business. These standards effectively discouraged potential applicants and only three new dump truck carrier permits were granted for almost ten years. The widespread belief that the field was closed to additional operators, however, was dispelled by the grant of six dump truck permits in fiscal year 1978–79. Representatives of the License Section participated in the public hearings of these matters and in most cases recommended that the commission grant the permits.

Public Information and Assistance

The Tariff Section of the Tariff and License Branch answered 6,398 inquiries from the shipping public and from carriers concerning freight rates and other technical matters relating to the transportation industry.

Senate Bill 860—Implementation

As a result of Senate Bill 860, new tariff filings will be received from about 11,000 new highway common carriers, and numerous written contract filings will be received from about 12,000 contract carriers by January 1, 1980. At the close of 1978–79 fiscal year, the Tariff Section was receiving and processing the first batch of tariff filings from carriers who were granted Section 1063.5 certificates during May, 1979.

Tariffs of Common Carriers and Related Public Utilities

Under Sections 486 and 489 of the Public Utilities Code, common carriers and transportation utilities file with the commission tariffs showing the rates and charges for all services offered. During the past fiscal year, 36,159 amended tariff pages were filed by carriers or transportation utilities. Staff analysis of these filings disclosed 998 discrepancies which resulted in the rejection of 121 tariff pages. Many of the tariff pages rejected would have resulted in discrimination or unauthorized increases in rates. Below are shown the number and types of carriers or transportation utilities that are required to file tariffs with the commission and the number of tariffs on file for each.

Tariffs Filed By Common Carriers of Freight and By Warehousemen

	Number of Carriers	Number of Tariffs on File
Railroads	34	204
Highway Common Carriers	389	
Petroleum Irregular Route Carriers	66	155
Cement Carriers	151	
Express Corporations	17	117
Freight Forwarders	43	47
Airlines	40	44
Vessels	9	10
Pipelines	5	20
Carloading Companies	1	1
Warehousemen	229	162
Wharfingers	1	1
Total Tariffs		761

EX PARTE MATTERS

Special Tariff Dockets

General Order No. 109 provides for the economical and prompt processing of tariff changes which are narrow in scope, not adverse to the interest of other parties, not of general interest, and noncontroversial. During the past fiscal year, a total of 232 special tariff docket applications were processed, 191 of which were granted as requested. Thirty-three STD's were partially granted or contained restrictions, 1 was denied and 7 were dismissed.

Three requests for reparation under Section 734 of the Public Utilities Code were received and processed as Special Tariff Dockets involving the waiving of collection of $13,368. One request was granted and two were denied.

Shortened Procedure Tariff Dockets

The Shortened Procedure Tariff Docket allows ex parte processing of noncontroversial rate increase applications which would not increase applicants' intrastate gross revenue by as much as one percent. This procedure permits expeditious and economical handling of such matters and avoids lengthy and costly formal proceedings. During the year, 46 applications were processed of which 44 were granted, 1 denied and 1 reassigned to a hearing officer.

Special Deviation Dockets

The Special Deviation Docket reduces the burden on applicants by simplifying the type of filing in connection with applications of permitted carriers for renewal or continuation of authority to assess rates less than or different from the established minimum rates. This procedure requires that only an original and two copies instead of an original and 12 copies be filed and enables the commission

to dispose of these applications economically and expeditiously by resolution in lieu of formal order. During the year, 175 applications were processed of which 174 were granted and 1 denied.

Preparation of Orders

Three hundred twenty-four ex parte orders were prepared during the year for commission consideration. These orders involved adjustments in the minimum rates of highway carriers and the rates of individual common carriers and other utilities; authorities to assess rates which are less than or different from the commission's established minimum rates; and, revocation or modifications of operative rights of common carriers and other utilities. Those concerned benefited from savings in cost and time in the ex parte disposition of such applications of which 289 were granted, 14 dismissed, 3 denied and 18 reassigned to hearing officers.

New, Revised Pages for Minimum Rate Tariffs

During the year, 704 new or revised tariff pages were prepared for inclusion into commission orders which provided for adjustments in the various commission minimum rate tariffs. These adjustments included: (1) upward revisions in the minimum rates to offset increased operating costs experienced by the carriers; (2) lower experimental rates designed to attract new or additional traffic; and (3) lower volume incentive rates to reflect improved operating efficiencies of the carriers.

Freight Economics Branch

The Freight Economics Branch is primarily responsible for providing the commission with professional advice on all economic, mathematical and statistical matters related to the transportation of freight and the storage of property to enable the commission to actively and responsively achieve its regulatory mandate and policies in the public interest of the people of the State of California. This includes:

- developing and implementing a practical regulatory system in which carriers establish their rates and initiate any subsequent changes in the rate level;
- assisting the commission in evaluating the presence, nature and significance of economic issues and problems:
  - —as they exist in the regulated industry, and
  - —as they arise in the process of regulation; and
- conducting studies into various statistical and economic aspects of the regulated industries to provide the commission with information which will enable it to take responsive action and play a progressive role in implementing its regulatory mandate by:
  - —handling all economic planning studies and data gathering pertaining to freight operations and rates,
  - —achieving an orderly transition from the current minimum rate program to carrier-made ratemaking, and
  - —producing cost data analyses and cost witnesses and experts to participate in matters handled by other Transportation Division branches as needed.

Rock, Sand and Gravel Increases—Intrastate

Application 58473 filed by the Southern Pacific and Northwestern Pacific Railroads sought authority to increase rates for rail transportation of rock, sand and gravel to points in the San Francisco Bay Area. The carriers alleged that effective rates did not adequately cover costs of service. Hearings were held and the matter was submitted for decision.

Minimum Rate Proceedings

Case 5432—Petition 1034, et al

This petition, filed by the California Trucking Association in September 1978, sought general rate increases in Minimum Rate Tariffs 1-B, 2, 9-B, 15, and 19 to reflect increases in labor and labor related costs and fuel costs.

Thirteen days of hearings were scheduled during the fiscal year. Some 44 exhibits were received in evidence in support of testimony from the CTA, shippers, other interested parties and the staff.

Two interim surcharges were granted in 1979. Effective February 24, 1979, surcharge increases of 1.75% for truckload shipments and 2.5% for less than truckload movements were granted by the commission in MRT-2. Effective May 5, 1979, following the national teamster contract negotiations, these surcharges were increased to 8% and 9%, respectively. Similar surcharge increases were also granted in MRT-15 and the three drayage tariffs, 1-B, 9-B and 19.

The matter was submitted on May 18, 1979. It is anticipated that a final decision will be forthcoming early in the next fiscal year, addressing the issues of platform handling and indirect expenses.

Case 5432—Petition 1042, et al

In response to the nationwide energy crisis and the resulting fuel shortages and accelerating costs, the California Trucking Association (CTA) filed petitions in the various minimum rate tariffs. These petitions sought that a procedure be established to reflect increases in fuel costs in the various MRTs and that immediate offset surcharge supplements be issued to reflect the fuel price increases which occurred in the first part of 1979.

All petitions were consolidated for public hearing in April 1979. Evidence was presented by the California Trucking Association (CTA), the Highway Carriers Association (HCA), the Associated Independent Owner-Operators, Inc. (AIOO), the California Carriers Association (CCA), the California Dump Truck Owners As-

sociation (CDTOA), and the commission staff. There was no protestants.

The commission found that the fuel offset surcharge supplements proposed by the staff were reasonable and justified. Accordingly, by Decision 90325, the commission ordered that the surcharge supplements to the various MRTs be made effective on May 28, 1979. The commission further ordered that this proceeding remain open so that future consideration by the commission could be undertaken as required as a result of the existing circumstances surrounding the present fuel energy crisis.

CTA filed a First Amendment to Petition 1042 on June 15, 1979 requesting recognition of a 25 cent increase in fuel costs for all MRTs. The staff has recommended rate increases to reflect fuel cost increases of 20 and 23 cents. The matter was under consideration by the commission at the end of the fiscal year.

Vessel Exemption

A number of protests were received following distribution of a White Paper in late 1977 concerning the rate exemption of property in continuous movement from or to points beyond California having prior or subsequent carriage via water vessel. From responses received, it became apparent that the primary commodities involved in this transportation were steel, scrap iron, newsprint, and forest products.

Accordingly, an Order Setting Hearing (OSH) was instituted and the staff intensified its study of this traffic. Based on its study, the staff presented evidence in support of its White Paper exemption proposal at hearings in November and December 1978. Substantial testimony was also received from shipper and carrier witnesses and the matter was submitted subject to the filing of closing briefs by the end of March 1979. It is anticipated that a decision will be forthcoming early in the next fiscal year.

Santa Maria Area Dump Truck Zones

In February 1979, the California Dump Truck Owners Association completed Phase I (time and distance traverses) to establish new production areas, delivery zones and zone rates for the transportation of rock, sand and gravel in the Santa Maria area of Santa Barbara County. The zones extend to San Luis Obispo and Monterey counties.

The staff is preparing Phase II (zone maps) to be utilized for the computer runout network and it is anticipated that the maps will be finished in August 1979.

Fresh Fruit and Vegetables

Hearings were held in May and June 1979 in connection with Petition 120 filed by the California Trucking Association for an increase in the rates for the transportation of fresh or green fruits and vegetables, statewide.

Evidence concerning the proposed rates was introduced by the petitioner, the protestants and the staff. The matter is under submission.

Reregulation Proceedings

Tank Truck Industry

In December 1974, the Commission of California State Government Organization and Economy (Little Hoover Commission) issued a report in which various recommendations were made for changes in motor carrier regulation. Among the changes recommended were the (1) consolidation of general freight carriers into two classes: common carriers and contract carriers, and (2) elimination of minimum rates: all classes should either be subject to tariffs or operate as contract carriers.

The first recommendation was implemented by Senate Bill 860 (SB 860), enacted as Chapter 840, Statutes 1977, which eliminated the radial highway carrier classification and gave such carriers the opportunity to become highway common carriers or highway contract carriers, or both.

The second recommendation, to eliminate minimum rates, has been the subject of numerous days of hearings and the offering of testimony by many parties, including shippers, carriers, business organizations, labor unions, and the staff.

One such series of hearings singled out the tank truck industry which is generally acknowledged to be the precedent setting case for the remaining types of transportation involving the wide range of commodities moved in California.

On May 22, 1979, the commission issued its decision to reregulate the tank truck industry by the introduction of a plan whereby minimum rates would be eliminated on January 31, 1980. Procedures would be established by the staff for the filing of contract carrier rates. This plan contemplates instituting procedures for a transition period (lasting about a year or two) to enable carriers to make their individual adjustments to the new reregulatory program and provide a framework for shippers and carriers to negotiate mutually agreeable rates, subject to a minimum of commission regulation that will protect the public interest.

A key issue in this proceeding is what criteria should be employed to determine labor costs for the purposes of rate justification. The staff proposed that only actual costs be considered with imputation of the statutory minimum wage where there is no actual wage. An alternative is that union scale labor costs be employed. The commission decided to adopt a prevailing wage formula for determining the wage cost element in all rate justifications and ordered the staff to prepare an Order Instituting Investigation (OII) into the definition, criteria, and procedure for determining prevailing wage levels. The staff was also ordered to prepare a program which will monitor retrospectively and prospectively the effects of this reregulation on the tank truck transportation industry.

Fibreboard, Metal Cans and Plastic Containers

A series of carrier-shipper conferences ensued following distribution of the full scale cost and rate studies prepared by the staff. Hearings in the matter were held in January and March 1979.

Decision 90441, dated June 19, 1979, provided initial rate scales for the transportation of empty steel, aluminum and fibre cans and plastic bottles. The rates reflect the very similar transportation characteristics of the four commodities and are stated in dollars per load.

Empty Glass Containers

Continued hearings in this matter were held in July, September and November 1978. Alternative rate proposals were introduced by both the shippers and highway carriers of glass containers. Decision 89921, dated January 30, 1979, provided initial commodity rate scales for the transportation of empty glass containers. It is anticipated that the adoption of minimum commodity rates for such containers will substantially reduce the number of deviation authorities which have been granted for this transportation.

Uncrated New Furniture

The staff has completed cost studies for the transportation of uncrated new furniture. These studies are being held in abeyance to ascertain what impact the new regulatory proposals in the field of transportation would have on the furniture movers industry.

Dump Truck Service

The staff has completed preparing the cronoflex maps necessary to revise 50 miles of new freeway network and 108 miles of city streets to reflect current traffic operating conditions in the seven county Los Angeles Core Area Dump Truck Computer Network.

The Southern California Rock Products Association in conjunction with various carrier organizations compiled the time and traverses necessary to update the network.

Data Gathering Functions

The Economic Research Section of the Freight Economics Branch develops new or improved methods for determining costs, utilizing financial, traffic and other economic data in rate-making, and identifying new areas of worthwhile data research. The section is responsible for maintaining a data base from which current information can be extracted with minimum delay. The section also prepares data reports, regularly or upon request, for the benefit of the commission, its staff, interested parties to commission proceedings, other Governmental agencies and the general public.

The Economic Research Section consists of a Traffic Research Unit and a Cost Research Unit. The Traffic Research Unit prepares traffic flow information used by the commission, the staff and interested parties in developing reasonable rates for the transportation of property by for-hire highway carriers. The traffic flow information is derived from a freight bill sample submitted by highway carriers. During the past year, there were approximately 60,000 freight bills received, analyzed, rated, and coded.

Traffic flow and other highway carrier information was furnished to State agencies, insurance companies, city and county governments, commission staff, trucking associations and the general public. The Traffic Research Unit also produced a Revenue Distribution Report summarizing revenue information furnished by highway carriers. The report showed the revenue allocation by minimum rate tariff and the type of rate used. Also issued was a report showing the different types of authorities held by highway carriers.

During the past year, the Traffic and Cost Units produced an Annual Statistical Report for the year 1978. The report provided analyses for for-hire revenue distribution, vehicle registration, operating authorities and minimum rate tariff distribution. Statistical revenue and carrier activities indexes for a ten-year period is graphically illustrated throughout the report.

The Traffic Research Unit is presently developing an economic data gathering review program with the objective of formulating criteria to determine the reasonableness of transportation rates. The project will involve the revision of the current data gathering plans to conform to accepted standards of probability sampling principles and practices.

The Cost Research Unit gathers cost performance data from for-hire highway carriers of property regulated by the commission and is responsible for analyzing and summarizing this data in report form. The reports are used in public hearings before the commission by the staff, the public, carriers, shippers, and their association, and are also made available to other State and Federal agencies.

There are three major areas covered by the reports:

Equipment

In 1978, 18,163 carriers were sent questionnaires requesting information of their for-hire equipment. Incorporating this carrier-supplied data with information contained in the California Department of Motor Vehicles' magnetic tape files, the following reports were prepared:

(1) *Revenue Equipment Historical Cost Report* that included data on vehicle price new, license and weight fees paid and Federal use taxes paid for vehicles purchased during the period 1958–77.

(2) *Historical Cost of Vehicle Classes Related To Minimum Rate Tariff 15* that included similar data on the for-hire vehicles first sold during the years 1963–67.

Labor Cost

In 1978, 1,975 carriers were requested to furnish labor cost information and based on the information supplied, five labor cost factor reports were published for:

(1) General Freight transported under Minimum Rate Tariff 2
(2) Fresh Fruit and Vegetables transported under Minimum Rate Tariff 8-A
(3) Bulk Petroleum Products transported under Minimum Rate Tariff 6-B
(4) Used Household Goods transported under Minimum Rate Tariff 4-B
(5) Dump Truck Carriers operating under Minimum Rate Tariffs 7-A, 17-A and 20

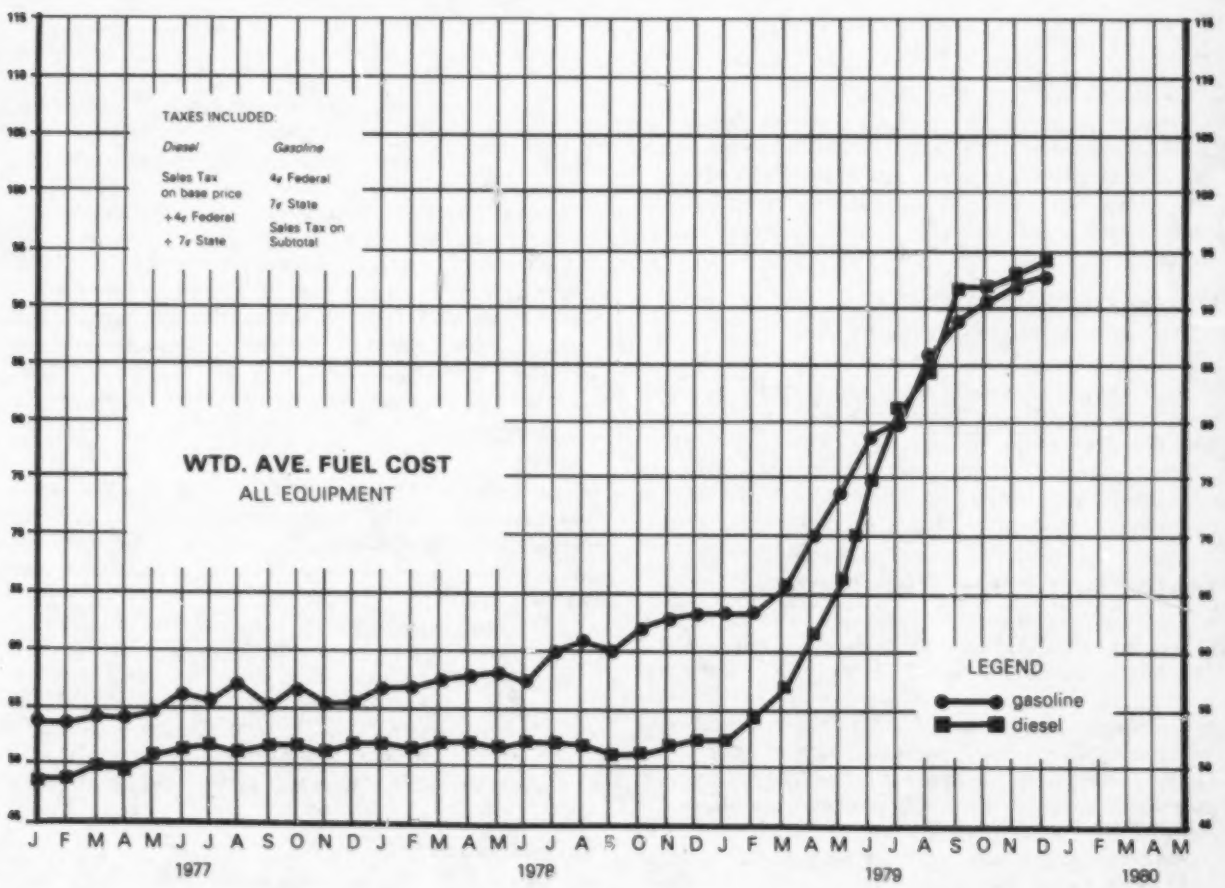
Fuel and Oil

In 1978, 7,969 vehicles were sampled for cost and performance data and based on the returned information, twelve monthly reports and one annual report were prepared summarizing the data by commodity category, service type and by tariff.

There was a seven percent increase in the average cost of gasoline and a two percent increase in diesel fuel for January 1978 to January 1979. However, between January 1979 and June 1979, the cost of gasoline was increased by 19 percent and diesel by 34 percent. As a result, it was necessary to authorize an increase in rates charged by for-hire carriers to offset the sharp increases in fuel costs experienced in this six-month period. The Economic Research Section, through its Fuel and Oil Cost and Performance reports, supplied current fuel cost information required in order to determine the extent of the increases.

The Cost Unit also prepared input for computer-developed costs for the transportation of general commodities in the Los Angeles Metropolitan Area, the East Bay Drayage Area, and the San Francisco Drayage Area, and a cost-rate runout for the Los Angeles Dump Truck network.

A graph showing weighted average fuel costs for all equipment follows.


TAXES INCLUDED:
Diesel
Sales Tax on base price
+4¢ Federal
+ 7¢ State
Gasoline
4¢ Federal
7¢ State
Sales Tax on Subtotal
WTD. AVE. FUEL COST
ALL EQUIPMENT
LEGEND
gasoline
diesel
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M
1977
1978
1979
1980

Minimum Rate Tariff Increases 1978–1979 Fiscal Year

The Rate and Cost Studies Section participated in many formal actions involving the economic regulation of intrastate trucking. Cost and rate offset exhibits and economic studies were prepared to reflect increased labor, equipment, and running costs. The attached table shows the section's participation in cost and wage offset proceedings and the resultant Minimum Rate Tariff Increases.

MINIMUM RATE TARIFF INCREASES

1978–1979 FISCAL YEAR

TRANSPORTATION	DECISION NUMBERS	PERCENT	THOUSANDS OF DOLLARS	EFFECTIVE DATE
GENERAL COMMODITIES				
Statewide—MRT 2	89978	1.75TL,2.5LTL	17,011	Feb. 24, 1979
Statewide—MRT 2	90224	6.25TL, 6.5LTL	49,872	May 5, 1979
Statewide—MRT 2	90325	1.25TL, .5LTL	6,390	May 28, 1979
Drayage—MRT 1-B	89980	2.0TL,2.5LTL	69	Feb. 24, 1979
Drayage—MRT 1-B	90226	6.0TL,6.5LTL	191	May 5, 1979
Drayage—MRT 1-B	90325	1.0	31	May 28, 1979
Drayage—MRT 9-B	89979	2.5	73	Feb. 24, 1979
Drayage—MRT 9-B	90225	5.5TL,6.5LTL	176	May 5, 1979
Drayage—MRT 9-B	90325	1.0	29	May 28, 1979
Drayage—MRT 19	89980	1.0	26	Feb. 24, 1979
Drayage—MRT 19	90226	6.5	167	May 5, 1979
Drayage—MRT 19	90325	1.0	26	May 28, 1979
HOUSEHOLD GOODS				
MRT 4-B	90327	.69	818	May 28, 1979
MRT 4-B	90350	3.2	4,100	June 21, 1979
BULK PETROLEUM				
MRT 6-B	89086	5.5	4,714	Aug. 5, 1978
MRT 6-B	90090	4.5	3,639	April 6, 1979
MRT 6-B	90328	2.0	1,714	May 28, 1979
DUMP TRUCK				
MRT 7-A	89597	6.0	7,000	Dec. 2, 1978
MRT 7-A	90329	3.25	4,302	May 28, 1979
MRT 17-A	90038	6.0	2,351	April 28, 1979
MRT 17-A	90329	3.5	1,372	May 28, 1979
MRT 20	89922	7.65	1,240	Mar. 10, 1979
MRT 20	90329	3.5	540	May 28, 1979
FRESH FRUITS & VEGETABLES				
MRT 8-A	89416	12.0)	4,200)	Oct. 14, 1978
MRT 8-A	89494	)	)	Oct. 14, 1978
MRT 8-A	90326	3.0TL,2.5LTL	1,172	April 3, 1979
BULK CEMENT				
MRT 10	88957	4.6	1,400	July 18, 1978
MRT 10	90022	3.9	1,100	April 3, 1979
MRT 10	90331	2.75	964	May 28, 1979
UNCRATED FURNITURE				
MRT 11-A	89479	8.0	991	Oct. 28, 1978
MRT 11-A	90327	1.75	206	May 28, 1979
AUTOMOBILE TRUCKAWAY				
MRT 12-A	90330	2.25	548	May 28, 1979
VACUUM TANK SERVICE				
MRT 13	89352	7.7	1,379	Oct. 15, 1978
MRT 13	90328	1.5	290	May 28, 1979
BULK AGRICULTURAL COMMODITIES				
MRT 14-A	89301	5.0 SAFF SEED	14	Aug. 24, 1978
MRT 14-A	89481	5.0 COTTONSEED	196	Oct. 5, 1978
MRT 14-A	90223	4.7	2,250	June 2, 1979
MRT 14-A	90326	3.75	1,689	May 28, 1979
LIVESTOCK				
MRT 3-A	90072	2.8	358	April 21, 1979
MRT 3-A	90326	3.0	384	May 28, 1979

MONTHLY VEHICLE UNIT RATES				
MRT 15	89961	2.0	1,606	Feb. 24, 1979
MRT 15	90227	6.0	4,818	May 5, 1979
MRT 15	90325	1.25	1,004	May 28, 1979
MOBILE HOMES				
MRT 18	89640	5.0	588	Feb. 12, 1979
MRT 18	90330	3.75	374	May 28, 1979

COMPLIANCE AND ENFORCEMENT BRANCH

The Compliance and Enforcement Branch has a basic twofold responsibility: to ensure that all for-hire highway carriers of property in California possess the required commission authority under the provisions of the Public Utilities Code and that they conduct their operations as prescribed by the Code and related commission rules and regulations.

C & E Branch personnel in the 17 district offices of the commission throughout the state are engaged in performing field surveys and investigations in carrying out this responsibility.

The staff has several options available when violations are evident. They include informal procedures or actions placed formally before the commission or the courts.

District office personnel also handle general inquiries from highway carriers and members of the general public and receive consumer complaints concerning both transportation and utilities matters for transmittal to the Consumer Affairs Branch. A number of the transportation complaints are ultimately handled by C & E Branch district office personnel.

Roadchecks

The Compliance & Enforcement Branch continued its Interstate Registration enforcement program whereby the California Highway Patrol, upon request of our staff members, issues citations to violators of the Interstate and Foreign Highway Carriers Registration Act. One hundred forty-six citations were issued during checks conducted at various C.H.P. weigh scales located throughout the state. Most violators responded by complying with the Registration Act and by paying fines or forfeiting bail to the courts in amounts up to $125 for their failure to register their interstate operations with this commission.

District Office personnel augmented their enforcement of California operating authority requirements by conducting statewide road checks. Although these checks were directed at different classes of carriers, primary emphasis was placed on coverage of local agricultural hauling. Many carriers were found to be operating without permits or during permit suspension.

SUMMARY OF ROAD CHECKS

Intrastate:	
Road Checks	15
Carriers Reviewed	879
Violations Disclosed	120
Man-Days at Check Sites	43
Interstate (for P.U.C. registration):	
Road Checks	16
Carriers Reviewed	4,590
Violations Disclosed	397
Man-Days at Check Sites	332
Totals:	
Checks	31
Reviews	5,469
Violations	517
Man-Days	375

Informal Complaints

The Consumer Affairs Branch, a part of the commission's Management Services Division, processes all complaints from consumers. Most complaints from individuals involving carriers located in the San Francisco and Los Angeles metropolitan areas are handled to conclusion by the C.A.B. All other complaints, including consumer complaints when the carriers are located in the outlying areas, are handled by Compliance and Enforcement. Numerous complaints by carriers against other carriers are received by the staff and entail both limited and in-depth investigations to ascertain the extent of unlawful operations and/or rating practices. If the carrier was found to be violating a tariff provision, corrective action was taken including carrier refunds to the shipper if an overcharge was involved. In other instances the staff attempted to secure voluntary settlements that were equitable for all parties to the dispute.

These complaints, as well as inquiries received from the public relating to all commission activities, were processed by the commission's 17 district offices. Statistics concerning these activities and a summary of complaints follow:

DISTRICT OFFICE ACTIVITIES

	Number	Amount
Telephone Inquiries	119,199	
In Person Inquiries	43,480	
Applications for New Operative Authority Processed	13,040	
Amendments of Existing Operating Authority Processed	156	
Remittances Processed (fees, fines, penalties, etc.)		$1,985,654.

Summary of Informal Complaints

(Handled by C & E Branch; does not include complaints handled by Consumer Affairs Branch, Management Services Division.)

	Number	Amount
Delinquent Subhaul Monies Secured from Prime Carriers	277	$128,474
Household Goods Carrier Complaints	335	
Property Complaints other than Household Goods	882	
Household Goods Overcharge Settlements	123	12,274
Other Property Overcharge Settlements	45	18,124
Household Goods Loss & Damage Settlements	161	7,152
Other Property Loss & Damage Settlements	196	42,174
Household Goods Carrier Fines	200	26,533

Rate and Operational Analyses

Through investigations the rates and services of carriers are analyzed to determine and insure compliance with the Public Utilities Code, tariffs and commission general orders. These investigations involve a detailed examination of all records, equipment and a review of actual operations.

If informal action is deemed appropriate, most rate violations, unless minor, are processed through the staff's undercharge citation procedure in which carriers are directed to collect any undercharges and to pay fines in an equal amount to the General Fund of the State of California. Violators of tariff rules or other commission regulations can be fined through a citation forfeiture procedure, with penalty amounts ranging from $100 to $2,000. Fines collected through this method are credited to the General Fund. Violations of a minor nature are normally concluded through admonishment or advisory conferences, and by placing the carrier on written official notice.

Carriers who have committed flagrant violations or those who have a history of repeated infractions are made the subjects of orders instituting investigation, which result in hearings before the commission. In an undercharge matter, the subsequent decision normally fines the carrier in the amount of the undercharges, and also levies a punitive fine, which can range in amount up to $5,000. A synopsis of these cases appears later in the report of this branch.

Informal Disciplinary Actions

Type of Action	Number	Amount	Fines Assessed	Jail Sentences: No. of Days
Carrier Conferences				
Certificated	17			
Radial & Contract	278			
Household Goods	50			
Dump	43			
Other	20			
Total	408			
District Attorney Citations				
Certificated	0			
Radial & Contract	32			
Household Goods	1			
Dump	2			
Other	7			
Total	42			
Misdemeanor Convictions				
Certificated	0		$0	0
Radial & Contract	10		2,395	4
Household Goods	2		575	0
Dump	3		2,112	0
Other	4		1,100	0
Total	19		6,182	4
Undercharge Letters	95	$25,960		
Overcharge Letters	12	6,360		
Citation Forfeitures	86	–	39,750	–
Undercharge Citations	51	–	161,382	–

Senate Bill 860

On September 15, 1977 Governor Brown signed Senate Bill 860 which has resulted in major changes in the transportation picture in California. It mandated that the commission issue no radial highway common carrier permits after December 31, 1977. Carriers who then operated under radial authority had the option of either converting to contract carrier and/or certificated authority prior to December 31, 1978. The law also created a new type of permitted carrier, the agricultural carrier.

During November, 1978, twenty public meetings were held at various locations throughout the state in order to provide information to carriers and other interested persons regarding the requirements of Senate Bill 860. The meetings, which were scheduled evenings in order to encourage broader participation, were conducted by local district office personnel and consisted of brief presentations followed by lively question-and-answer sessions. Considerable interest was shown by carriers in the subject of these discussions and a total of 3,460 persons attended the 20 meetings.

Unlawful Operations

Considerable staff effort is expended to prohibit illegal transportation service by carriers who have not complied with the statutes or Commission regulations.

These violations include the conduct of for-hire transportation without Commission authority, employing subhaulers without a bond, operating without proper insurance on file to protect the public, and failure to observe other requirements of the Public Utilities Code and the Commission General Orders.

The primary purpose of these efforts is to secure compliance. Most carriers, either immediately or following informal staff action, correct their practices. In some instances evidence must be obtained to support misdemeanor complaints which are filed with the appropriate District Attorney for prosecution in the courts, or citations which are issued by the District Attorney to warn the operator of the consequences of unlawful acts.

Summary of Investigations Completed

Operating Authority	Number
Highway Carriers of Property	1154
Charter Party Passenger Carriers	183
Warehouses	2
Rate & Tariff	
Highway Carriers of Property	2674
Freight Forwarders and Express Corps	10
Industrial Locations	551
Surety Bond Investigations	442
Total Investigations	5016

Enforcement Section

The Enforcement Section evaluates, audits and processes staff surveys and studies of alleged transportation and warehouse rate and operational violations for remedial disciplinary action by adversary proceedings before the Commission, the filing of complaints in Superior Court, the application of undercharge and/or citation forfeitures and the issuance of undercharge or overcharge letters. The Section is composed of the Formal Unit and Rate Analysis Unit.

The Rate Analysis Unit analyzes reports and shipping documents to determine compliance with the rates, rules and regulations applicable to minimum rate orders and tariffs issued by the Commission and the tariffs of common carriers and public utility warehousemen. This work results in (1) issuance of undercharge or overcharge letters to carriers requiring their collection or refund of specified undercharges or overcharges and, in some instances, their audit of records and report of similar violations for collection or refund of amounts as deemed necessary; (2) participation in advisory conferences held with carriers and shippers involving rate interpretations; and (3) preparation of rate exhibits and providing testimony as expert rate witnesses for formal proceedings before the Commission and the courts.

The Formal Unit is responsible for reviewing and processing reports submitted for formal disciplinary proceedings before the Commission and the courts. This function includes (1) a determination of the sufficiency of the evidence to sustain a prima facie case and whether formal action is warranted pursuant to Commission policy; (2) assistance to the Legal Division in preparation of pleadings and Transportation Division representation in the presentation of cases; (3) the follow-up of the Commission's disciplinary orders for compliance. The Formal Unit is also responsible for the review and processing of files prepared for application of undercharge and/or citation forfeiture fines.

A summary of the disciplinary matters involved is shown in the statistics and the appendices of this report.

Order Instituting Investigation

Case No.	Date	Alleged Violation	Respondent's Location
C.10618	7/11/78	Undercharges resulting from failure to bill and collect applicable minimum rates and charges on shipments of wine.	Sonoma
C.10636	7/25/78	Undercharges resulting from improper shipment consolidation and falsification of records to conceal multiple deliveries on shipments of lumber.	Crescent City
O.I.I.27	9/19/78	Failure to comply with estimating rules and payment of penalties in the transportation of used household goods subject to the provisions of Minimum Rate Tariff No. 4-B.	San Francisco
O.I.I.28	9/19/78	Undercharges resulting from use of an improper unit of measurement in the billing and collection of minimum rates and charges applicable to shipments of aluminum wheels, ingots and scrap metal.	Downey
O.I.I.29	10/17/78	Undercharges in the transportation of shipments of produce resulting, in part, from the device of free loads. Transportation included the operations of seven carriers without proper authority.	San Bernardino
O.I.I.30	10/31/78	Voluminous undercharges resulting from the transportation of roofing materials for one shipper at less than the applicable minimum rates and charges.	Paramount
O.I.I.31	11/28/78	Undercharges in the transportation of shipments of lumber resulting from the device of free loads for four shippers.	West Sacramento
O.I.I.34	12/19/78	Undercharges in the transportation of shipments of steel and steel beams for six shippers resulting in part from false billing. Carrier refused to produce records required to be kept by highway carriers.	Woodland
O.I.I.38	3/13/79	Undercharges in the transportation of shipments of various commodities subject to authorized deviations from the minimum rates including failure to pay subhaulers 100 percent of such rates.	Long Beach
O.I.I.44	5/08/79	Undercharges in the transportation of shipments of steel products and canned goods for three shippers resulting, in part, from the device of false documentation and billing.	Stockton
O.I.I.45	5/08/79	Undercharges in the transportation of shipments of lumber for five shippers caused for the most part by the device of free loads.	Santa Rosa
O.I.I.46	5/08/79	Improper unit of measurement used to assess and collect charges at rates less than the minimum applicable to shipments of residual fuel oil in tank trucks. (Formal hearing requested by respondent rather than informal processing by undercharge citation). The violation was continued by another carrier related entity.	Castaic
O.I.I.47	5/08/79	Improper unit of measurement used to assess and collect charges at rates less than the minimum applicable to shipments of residual fuel oil in tank trucks. (Formal hearing requested by respondent rather than informal processing by undercharge citation). Refusal to produce records concerning continuation of violations.	Granada Hills
O.I.I.50	5/22/79	Use of a lease device to pay carriers amount different than the applicable tariff rates in the transportation of cement. Undercharges on shipments of dolomite and hydrated lime. Conduct of operations without proper authority.	Sacramento
O.I.I.51	5/22/79	Undercharges caused by a lease device in the transportation of shipments of tires, tubes, etc.	San Jose

Decisions in Enforcement Proceedings

Dec. No.	Date	Case No.	Violation	Decision Order
89679	11/28/78	10618	Undercharges on shipments of wine resulted from the improper use of alternative rail rates applied to a point of origin that was not a rail head location.	Sonoma respondent ordered to pay a punitive fine of $750.00; an undercharge fine of $30,169.32 and collect the undercharges.
90164	4/10/79	O.I.I. 28	Undercharges on shipments of aluminum wheels, ignots and scrap metal caused by use of an improper unit of measurement (flat rate) in the assessment and collection of charges at rates less than the applicable minimum.	Downey respondent ordered to pay a punitive fine of $1,000.00; an undercharge fine of $29,481.38 and collect the undercharges.
90235	4/24/79	O.I.I. 30	Transportation involving shipments of roofing material for one shipper at less than the applicable minimum rates resulted in a substantial amount of undercharge.	Paramount respondent ordered to pay a punitive fine of $2,800.00; and undercharge fine of $37,217.37 and collect the undercharges.
90229	4/24/79	O.I.I. 34	Transportation of shipments of steel beams for six shippers at approximately 50% less than the applicable minimum rates caused the undercharges. Falsification of freight bills covering freight charges was also involved in a portion of the traffic.	Woodland respondent ordered to pay a punitive fine of $5,000.00; an undercharge fine of $21,376.74 and collect the undercharges.
90323	5/22/79	10374	The punitive fine and direction to make underpayments to subhaulers previously ordered by Decision No. 88491 were withdrawn.	Prior Commission order applicable to Sacramento respondent was withdrawn.
90384	6/5/79	O.I.I. 3	Voluminous undercharges on shipments of lumber for nine respondent shippers were caused by the transportation of 156 loads free of charge. Carrier also failed to make available to authorized Commission representatives for their inspection all documents and records kept or required to be kept by highway permit carriers.	Willits respondent ordered to pay a punitive fine of $5,000.00; an undercharge fine of $81,154.62 and collect the undercharges; to cease and desist from failing to make records available for inspection by Commission staff.

Surface Passenger Transportation

Growth of Surface Passenger Service

California's surface passenger transportation system, including both common carrier and charter services, continues to grow. This growth is evidenced by increased public patronage of existing services and also by a significant expansion of the State's passenger transportation network with the initiation of many new services.

The existing passenger stage network has been augmented this year by the addition of new operations serving both general and specialized transit needs. Particularly prominent are expanded "home-to-work" services, new sightseeing tours and new bus services to special attractions, such as Yosemite National Park, Lake Tahoe, various camping areas, Carmel/Monterey/Big Sur, Anaheim Stadium, and various race tracks in Southern California. Overall, new passenger services continue to be inaugurated at twice the rate of just seven or eight years ago. Charter services similarly continue in very high demand.

For 1978 there were approximately 760 intrastate surface passenger carriers under Commission jurisdiction, which includes 168 passenger stage corporations, 570 charter-party carriers, 18 vessel common carriers and 5 passenger railroads. This number is increasing rapidly as the private sector moves to fill public transportation needs throughout the State.

Year	Total CPUC Surface Passenger Carriers
1961	135
1964	150
1969	155
1974	450
1977	675
1978	760

Deregulation of Bus Transportation

There presently exist in the United States a climate for the deregulation of all modes of transportation. In California this mood is reflected in the several bills which have recently been introduced in the State Legislature for deregulation of bus transportation.

Among the more important of these bills are AB 931 which provides that the intrastate operations of a passenger stage corporation be exempted from California Public Utilities Commission regulation of fares, that entry into business be unrestricted and that exit from business be restrictive, AB 1817 which would enable the Commission to authorize more than one passenger stage corporation to operate the same service, and AB 1589 which is intended to reduce regulation of sightseeing and tour buses. The two major bus carriers in California, Greyhound Lines, Inc. and Continental Trailways, Inc. are for deregulation providing they have free entry and free exit into the market.

Trailways for Open Door Authority

American Buslines, Inc., a subsidiary of Trailways, Inc., one of the large bus passenger carriers in California filed four applications over the past year for authority to pick up and discharge passengers on intrastate routes now being served exclusively by Greyhound Lines, Inc. These include Applications Nos. 57797 for service between San Francisco and the Nevada State Line over I-80, 57939 for service between Los Angeles and San Ysidro and Application No. 58457 for service between San Diego and the California-Arizona State Line and between Calexico and Los Angeles. American Buslines, Inc. also filed Application No. 58853 for temporary authority to serve all areas covered by the three aforementioned applications to help alleviate the fuel crisis.

American Buslines, Inc. contends that an expansion of competitive passenger stage services within California will help to lower fares stimulating additional traffic. Greyhound Lines, Inc. who has protested the granting of all these applications contends that it would not be proper under the provisions of the Public Utilities Code since it is providing a wholly adequate service. Hearings have been held in the various communities which would be served and a decision is pending by the Public Utilities Commission.

Greyhound Lines, Local Operations —San Francisco Bay Area

SAMTRANS (San Mateo County Transit District) and Santa Clara Transit Districts have inaugurated transit service replacing the service formerly provided by Greyhound Lines, Inc. The SAMTRANS service is being operated by Greyhound Lines, Inc., pursuant to a three-year contract.

The Commission recently held hearings on Greyhound's application for authority to discontinue commuter service between central Contra Costa County and San Francisco (Application No. 55135) because of the inauguration of BART service in this region. The Commission received over 100 protests to the discontinuance in the form of letters, petitions and personal appearances at the hearing to present testimony. Greyhound presented evidence that its weekday commuter service operates at a substantial deficit. The Metropolitan Transportation Commission assured this Commission that it would arrange for an adequate substitute service. Therefore, the Commission issued Decision No. 88233 authorizing Greyhound to discontinue its Contra Costa County commuter service as of June 30, 1978. By subsequent decision, the Commission extended this deadline date until October 2, 1978, at the request of the Metropolitan Transportation Commission. By Decision No. 89610 the Commission granted final approval to Greyhound Lines to abandon the

Contra Costa County Commute Service since Greyhound Lines, Inc. contracted with the San Francisco Bay Area Rapid Transit District to perform the same service under a subsidy.

"Home-to-Work" Passenger Services

The "home-to-work" passenger stage provides transportation for people between their residential neighborhoods and places of employment. The service is usually of an express nature, with fares ranging between $8 and $20 per week per passenger, depending on, among other factors, the distance involved. Typically this mode of commuting is considerably more economical than travel by private automobile. It also lessens overall fuel consumption, vehicular congestion, air pollution, and related environmental consequences of automobile traffic; and is, therefore, a major aspect of the Commission's transportation planning and development efforts.

In the San Francisco Bay area there are approximately 20 passenger stage carriers of the "home-to-work" type serving major industries, including the United Airlines Maintenance Base at the San Francisco International Airport, Lawrence Livermore Laboratories, U. S. Naval Yard facilities at Mare Island, the Lockheed Missile and Space Company in Sunnyvale, and several research laboratories in the Palo Alto area. This year, additional service was authorized from Gilroy, San Martin, Morgan Hill, San Jose and points in Santa Cruz County to Lockheed-Sunnyvale.

In Southern California, there are approximately 15 "home-to-work" passenger stage carriers providing service to downtown Los Angeles, the McDonnell-Douglas facility in Huntington Beach, several Hughes Aircraft Company plants in the El Segundo-South Bay area, several other major corporations in the South Bay area, airline maintenance facilities at the Los Angeles International Airport and several other large places of employment. Additional "home-to-work" services have been authorized to Southern California Edison Company's Nuclear Generating Station at San Onofre, to the Weiser Lock Corporation-Huntington Beach, and to various additional points in Los Angeles and Orange Counties.

Airport Access Transit Passenger Stage Service

Airport passenger stage transportation includes two generally distinct modes of common carrier service, the airport bus and the airport limousine-type vehicle, both operating on an individual fare basis.

New airport bus services have been authorized to the Truckee-Tahoe Airport from the Truckee AMTRAK/ Greyhound Depot and other points in Nevada and Placer Counties, to the Los Angeles International and Hollywood-Burbank Airports from points in Los Angeles, La Canada, Glendale and Burbank, to the Sacramento Metropolitan Airport from Chico, Marysville, Yuba City and Oroville, and to the San Francisco International and Sacramento Metropolitan Airports from Fairfield.

The airport limousine-type of passenger stage service operates with luxurious limousines that pick up passengers at their businesses or residences for transport to local airports in the fashion of a "dial-a-ride" service. Operations of this type are presently available at San Francisco, Oakland and San Jose.

With the increasing importance of air passenger services and the growth in person-trips into and out of California's major airports, this expanding development of common carrier surface access provided by private carriers is helping to reduce traffic congestion and to make more attractive journeys by modes other than private automobiles.

New Fairfield-Rio Vista-Lodi Greyhound Service

Greyhound Lines, Inc. began providing service between Fairfield, Rio Vista this year on a scheduled basis. The commencement of this service represents a culmination of Rio Vista's plans for intercity transportation for its citizens. Originally, Rio Vista planned to own and operate its own buses. A closer evaluation revealed that this was very expensive and other more economical alternatives existed. Rio Vista then contracted with Greyhound to provide the desired services, with funding from the passenger fares, the Transportation Development Act, the local Community Action council, the City of Rio Vista and the Federal Government.

Recreational and Sightseeing Passenger Stage Services

Approximately 12 new passenger stage services relating to recreational and vacation travel were authorized this year. These include services to resort areas such as Yosemite National Park, Lake Tahoe, various camping areas, Carmel, Monterey and Big Sur. New service is also provided to Anaheim Stadium and race tracks in Southern California.

State Transportation Commission

A new state agency, the Transportation Commission, began functioning during the year. It replaces the State Highway Commission, the California Toll Bridge Authority, the State Aeronautics Board and the State Transportation Board. In recognition of the Public Utilities Commission's lead roles in all modes of both freight and passenger transportation, the law specifically provides that a member of the Commission is to be a member of the new board. It is hoped that this new board will facilitate improved coordination of activities among the several agencies interested in transportation matters. Toward this objective, the Surface Passenger Engineering Section is endeavoring to advise other agencies, some of which are only recently interested in passenger transportation, of the

engineer/planning practicalities of passenger carriage, as well as the legal regulations and the Commission's responsibilities for various passenger transportation services in California.

New Passenger Terminals in San Francisco

The San Francisco Bay Area Transportation Terminal Authority currently is progressing with plans for reconstructing the existing multi-mode passenger terminal at First and Mission Streets in San Francisco. Greyhound Lines, Inc. had originally planned on being one of the tenants at the reconstructed terminal however it has now informed the Commission that they plan on constructing a new five million dollar terminal adjacent to and in replacement of its existing terminal at 7th and Mission Streets. Construction is tentatively planned for late 1979.

SFO, Airporter, Inc., which provides passenger transportation from downtown San Francisco to San Francisco International Airport plans on constructing a new $400,000 passenger terminal at Ellis and Taylor Streets in San Francisco. This is at a new location in the hotel district of San Francisco and will replace the previous terminal located one block away which it was forced to vacate so it could be demolished. Construction of this terminal is planned for fall of 1979.

Southern California Experiences Changes in Bus Transportation

"Change" is the byword to describe surface passenger activities in Southern California this fiscal year. In total, 70 applications requested new routes, extensions of existing routes, or fare increases affecting private bus operators in this populous area. There were nine applications filed this past year for "Class B" charter-party authority in Southern California which resulted in four new charter bus certificates with the remainder of the filings pending before the Commission.

Continued growth in the intrastate bus industry was given special impetus by a spring fuel crisis punctuated by gasoline prices nearing $1.00 a gallon, short fuel supplies, and long lines at gas stations. Home-to-work buses operated by Commuter Bus Lines, Inc. and by Southern California Commuter Bus Service, Inc. (COM-Bux) quickly filled to capacity on some routes, with waiting lists established.

In addition to the growth experienced by existing commuter-bus operators, new home-to-work routes were established throughout Southern California. Four companies were authorized to serve the Southern California Edison Nuclear construction from various origins in Los Angeles, Orange, and San Diego counties. New commuter service was also established from Thousand Oaks to downtown Los Angeles.

Similar growth occurred in shuttle services to major metropolitan airports. San Diego International Airport has benefited from an augmentation of ground transportation into the facility. Fleetwood Limousine Service was authorized to expand its operations to connect the airport with the communities of Oceanside, Carlsbad, Leucadia, Encinitas, Solana Beach and Del Mar. Two new private operators were authorized to provide shuttle service between the airport and Camp Pendleton.

Hi Desert Airport Service was newly authorized to operate between Ontario International Airport and the desert communities of Barstow and Victorville.

Los Angeles International Airport is now served by two certificated airport limousine carriers, 24-Hour Airport Express and Luxe Livery Service. As demand-responsive operations from most metropolitan areas in Los Angeles and/or Orange County, these carriers now provide an alternative to the fixed route operations of Airport Service, Southern California Rapid Transit District (SCRTD), and other operators.

The most controversial decision affecting surface passenger operations in Southern California was Decision 90383, dated June 5, 1979. This decision authorized transfer of operating authority from Airportransit to Airport Service and allowed reestablishment of service by a private sector operator to connect Los Angeles International Airport with 12 hotels in downtown Los Angeles, Hollywood, West Los Angeles, Beverly Hills, and the San Fernando Valley. SCRTD, which has been providing its own Airport Express service to most of the same points since Airportransit ceased operations in December 1976, protested the application and, as of the close of this fiscal year, has filed a Petition for Rehearing to prevent the order from becoming effective.

1978–79 Decisions Granting New Common Carrier Certificates of Public Convenience and Necessity For Passenger Stage and Vessel Services

New Recreational and Sightseeing Passenger Stage Services

Appl. No.	Decision No.	Certificate Issued to	For Service Between
57254	88623	S. Black (Surtreks)	Carmel, Monterey et al and Big Sur
57259	87723	Caritas Creek	Solano, Sacramento et al and Mendocino, Woodlands Camp 3
57396	88413	R. S. Hartz (Sight/Skiing Tours)	South Lake Tahoe and Alpine Meadows, Square Valley, Auburn, Placerville et al
57520	88486	Skyview Limo Service Inc.	Torrence et al and Palm Springs et al
57697	89269	M. A. Kadletz (Good Time Tours & Co.)	Buena Park, Anaheim, Santa Ana and Palm Springs
57757	89209	Douglas Bus Lines (Commuter Bus Lines)	Riverside, Corona and Irvine; San Bernardino, Riverside and Santa Anita Race Track
57761	89076	D. M. Dunne (Gold Country Trcks)	Amador and Calaveras Counties
57843	88887	Americard Camping Tours, Inc.	San Francisco and various campsites in N.E.S. California
57991	57991	B. Twoomey	Redwood National Park, Humboldt and Del Norte Co.
58000	89382	T. A. Johnson (Quicksilver Stage Lines)	Mammoth Airport and Mammoth Lakes Ski Area
58374	90109	Surtreks, Inc.	Big Sur and Hearst Castle
		New Dial-a-Ride Service	
58254	89442	Del Norte Tours, Inc.	Del Norte County
		New Vessel Services	
57692	89353	Universal Marina Corp.	Los Angeles and Long Beach Harbors

1978–79 Decisions Granting New Common Carrier Certificates of Public Convenience and Necessity For Passenger Stage and Vessel Services

New "Home-to-Work" Passenger Services

Appl. No.	Decision No.	Certificate Issued to	For Service Between
57046	87976	American Charter Lines	Costa Mesa and Los Angeles
57502	88522	Douglas Bus Lines, Inc. (Commuter Bus)	Sacramento and Yuba City, Marysville, Stockton, Nevada City, Placerville and Fairfield
57781	89735	W. H. Hunt (Hunt Transportation)	Orange Co. Points and Hughes Aircraft Co.
57813	88625	W. Hendrickson	Sebastopol and Mare Island, Naval Shipyard
57916	89735	R. K. Matheny (Sundance Lines)	Orange and Buena Park and Hughes Aircraft Co. El Segundo
57982	89640	Douglas Bus Lines, Inc. (Commuter Bus Lines)	San Jose, Tracy et al. and Lawrence Livermore Lab.
58014	89427	C. D. Lewis (Orange Blossoms Lines)	Points in Riverside Co. and San Onofre Nuclear Generating Station
58045	89427	J. J. Warfield (Sunday Busing)	Points in Riverside and Orange Cos. and San Onofre Nuclear Generating Station
58170	89890	R. E. Parks (Parkway Stage)	Vacaville and UAL Maintenance Base, SF International Airport

1978–79 Decisions Granting New Common Carrier Certificates of Public Convenience and Necessity For Passenger Stage and Vessel Services

New Airport Access Passenger Stage Services

Appl. No.	Decision No.	Certificate Issued to	For Service Between
56927	88953	Public Service Planning Analysis Corp.	Points in Alameda and Contra Costa Counties and San Francisco International Airport
57104	88331	CA Collins (Crown Airport Commuter)	La Canada, Burbank and LA International Airport
57354	89419	R. Garbini (Santa Cruz Limo Service)	Santa Cruz and San Jose Municipal, Oakland & San Francisco International Airports
57458	89728	Q. R. Investment Corp. (Novato Airporter)	Points in Marin County and Oakland International Airport
57580	88722	Federal Transportation Co., Inc.	Travis Airforce Base and Oakland Harbor Terminal
57614	89420	Federal Transportation Co., Inc.	Fairfield and Sacramento, SF International Airport
57765	89074	24-Hour Airport Express, Inc.	Points in Los Angeles and Orange Co's and LA International Airport
57850	89074	Luxe Livery Service	Points in Los Angeles and Orange Co's and LA International Airport
57861	90019	J. Heyliger (Limo City)	San Francisco International Airport and Government Island, Alameda
58117	89791	R. I. Curtis (Bob's Ride)	San Diego Airport, San Diego and Camp Pendleton
58274	89741	D. F. Stuart (Fleetwood Limo Service)	San Diego Airport and Oceanside
58375	90109	Surtreks, Inc.	Big Sur and Monterey Peninsula Airport
58413	89802	R. Beauchane (Airport Transp. Service)	Chico, Oroville, et al. and Sacramento Metropolitan Airport

1978–79 FARE INCREASES AUTHORIZED SURFACE PASSENGER CARRIERS

	Decision	Carrier	Estimated Annual Intrastate Revenue Under Present Fares	Estimated Annual Intrastate Revenue Under Fares Authorized
57709	88520	D. J. Peel	$7,380	$11,080
57755	88842	Vandenburg Limo Service	32,200	34,200
57767	89270	Harbor Carriers, Inc.—San Francisco	−66,490	156,401
57772	89275	Harbor Carriers, Inc.—Long Beach	2,433,300	2,814,200
57773	89275	H. Tourist, Inc.	1,488,000	1,777,600
57880	88958	Airport Service, Inc.	4,097,129	4,984,671
57881	88958	Orange Coast Sightseeing, Inc.	836,736	908,596
57884	89023	So. Calif. Commuter Bus	245,333	270,881
57915	89735	P. R. Artac (Sundance Transportation)	26,884	7,332
57929	89025	Douglas Bus Lines	503,300	544,500
57966	89207	Greyhound Lines, Inc.	53,336,000	54,411,000
57967	89078	W. D. Breland	16,270	20,700
57973	89075	M. Etcheverry	6,966	8,388
58041	89642	Orange Belt Stages	254,939	33,282
58115	89602	D. Jones (Holiday Limo Service)	168,264	196,320
58132	89422	Starline Sightseeing Tours, Inc.	529,398	57,000
58138	89424	Hi-Way Tours, Inc.	54,000	67,500
58159	89868	SFO, Airporter	−166,694	20,147
58236	90024	Whippet Charter Service	180,000	210,816
58257	89603	Grey Line, Inc.	−190,265	379,285
58285	89646	Airport Limo Service of Sunnyvale, Inc.	1,787,500	2,055,625
58320	89693	Evans Airport Service, Inc.	104,932	113,762
58346	89488	Greyhound Lines, Inc.	380,640	534,640
58386	89794	Greyline Tours, Co.	13,053,031	13,179,031
58390	89825	Desert Stage Lines	159,165	167,123
58392	89926	Franciscan Lines, Inc.	148,981	169,141
58396	89826	J. R. Foster	18,764	20,633
58504	89927	Travelers Transportation Co.	24,000	31,000
58569	90240	Calaveras Transportation Co.	29,000	36,000
58615	90236	Inter Mountain Stage Company	30,179	40,000

Air Passenger Transportation

Federal Deregulation of Air Carriers

The California Public Utilities Commission has regulated intrastate air transportation in California pursuant to Article XII of the California Constitution, the California Passenger Air Carrier Act (California Public Utilities Code Section 2739 et seq.), the Accident Liability Protection of Commercial Air Carriers (California Public Utilities Code Section 5500, et seq.) and various general orders of the Public Utilities Commission. In accordance with these provisions the commission has regulated in California the rates, fares and charges of intrastate airlines and of the intrastate passengers carried by the interstate airlines, and it has regulated the rates, routes and services of intrastate airlines. The commission has not regulated the rates, routes or services of interstate airlines operating in California. The commission has required evidence of liability insurance of all air carriers operating in California.

On October 24, 1978 the President of the United States signed into law the Federal Airline Deregulation Act of 1978 (Deregulation Act). This Act immediately impacted California and this commission because of the interaction of several sections of the law.

Section 4 of the Deregulation Act states that no state may regulate an air carrier granted authority under Title IV of the Aviation Act. The Aviation Act, as amended by the Deregulation Act, allows any carrier (interstate, intrastate or commuter carrier) to apply for the unused authority of any other carrier and further grants present interstate carriers automatic entry for one route per year in 1979, 1980 and 1981. After 1981 all regulation of air carrier routes will cease. The law further provides for the abandonment of service to cities upon giving notice; expands the category of exempted commuter carriers to aircraft seating less than 56 passengers; and provides for guaranteed essential air transportation for ten years to all points listed on Federal air carrier certificates. The Act also provides that fares may be raised five percent or reduced 50 percent from the present standard industry fare levels without Civil Aeronautics Board (CAB) approval.

United States District Court Order

On March 9, 1979, the United States District Court issued an order finding that Hughes Airwest, Flying Tiger, Delta Air Lines, American Airlines, Air California, Western Air Lines, United Airlines, Trans World Airlines, Continental Air Lines, Pacific Southwest Airlines, and Pan American World Airways are carriers having authority under Title IV of the Aviation Act and that any laws, regulations or authority of the State of California which purports to regulate the rates, routes or services of any such carrier are unconstitutional, unenforceable and void. This commission in the interest of the California public has appealed this decision and has challenged the preemption clause of the Deregulation Act. [The economic implications of the court order enjoining this commission from intrastate rate regulation are of severe magnitude for California passengers. In 1977, 14.7 million intrastate passengers were carried in California. If these passengers were charged five percent above the standard CAB formula fare as allowed by the Deregulation Act, the increased cost for air travel within California could be in excess of $200 million annually.]

Regulation of Commuters

In the past, based on language in Section 416(b) of the Aviation Act allowing it to grant exemptions to carriers or classes of carriers, the CAB has, through its regulations, exempted commuter carriers operating aircraft seating less than 30 passengers from all Federal economic regulation. California has required such carriers to obtain a State certificate before providing common carrier service within California. There are 13 such carriers. The Deregulation Act has expanded the category of "exempted commuter carriers" to those operating aircraft seating less than 56 passengers. Perhaps more important, it has included that specific exemption as a new Section 416(b)(4) in the Aviation Act. The CAB has issued a policy statement effective February 14, 1979 in which it concludes that it, not the states, is responsible for the economic regulation of all the routes, rates or services of any airline operating under the exemption provisions of the Aviation Act. On June 1, 1979 before the United States District Court the California Public Utilities Commission was issued a permanent injunction enjoining it from applying or enforcing any regulations regarding commuter air carriers operating pursuant to the exemption provisions of Part 298 of the CAB's economic regulations. The court had issued a preliminary injunction on April 20, 1979.

Essential Air Transportation

The Deregulation Act specifies that the CAB shall consider the views of the state agency in determining essential air transportation which might qualify for subsidies. In this respect the commission on May 8, 1979 by Order Instituting Investigation No. 48 ordered an investigation into matters related to California's interest in essential air service pursuant to the Deregulation Act. Public hearings are to be held in the various communities that are being considered for essential air service. The purpose of the hearings is to afford an opportunity to the general public concerned with the loss of air carrier service, local public agencies and the commission staff to present testimony in order to develop a complete record. It is also planned to introduce into the record all available reports relating to this matter.

Federal Proceedings

The California Public Utilities Commission staff is presently participating in over twenty proceedings before the CAB in matters that are of concern to the people of the State of California. These vary from merger applications (Western Air Lines and Continental Air Lines) to route proceedings (Oakand Service Case). The commission staff is also participating in the CAB proceeding that will award certificates to Air California and PSA, covering their intrastate authority. In the Air California case the elimination of Electra aircraft requirement to Lake Tahoe is being opposed and in the PSA case the hyphenation of its Bay Area and Southern California points is being opposed.

Airline Tariffs

The Public Utilities Commission received one Special Tariff Docket Request which was not handled to conclusion due to questions regarding jurisdiction pursuant to the Airline Deregulation Act. During the year the air carriers made a total of 83 tariff filings covering 384 pages of tariff material. Despite the Airline Deregulation Act this was the largest volume of tariff pages received by the Air Section in its history, exceeding the prior year's volume by 101 pages.

Insurance

The commission's General Order 120-C requires all commercial air operators and passenger air carriers to obtain and continue in effect liability insurance as long as they offer their services for compensation. During the fiscal year 1978–79 there were 180 new commercial operator insurance certificates filed and 59 operators that ceased to operate commercially. In addition to the above, 2,150 currently maintained accounts filed certificates renewing insurance for the fiscal year 1978–79.

The commercial air carriers count as of June 30, 1979 is as follows:

Commercial Carriers	2,271
Certificated Passenger Air Carriers	32
Air Carriers Transporting Freight Exclusively	11
	2,314

INTRASTATE PASSENGERS OF SCHEDULED AIR CARRIERS BETWEEN MAJOR METROPOLITAN AREAS AND TOTALS FOR ALL AREAS

Line No.	Origin-Destination Areas and Carriers (1)	Fiscal Year Passengers in Thousands 1973–74 (2)	1974–75 (3)	1975–76 (4)	1976–77 (5)	1977–78 (6)
	Los Angeles-San Francisco					
1	Air California	1,048.7	989.3	1,101.2	1,213.0	1,355.9
2	Continental Airlines	23.3	30.0	40.4	21.7	14.3
3	Hughes Airwest	21.2	17.6	33.1	34.3	35.0
4	Pacific Southwest Airlines	3,897.5	3,806.0	3,886.7	3,997.1	4,351.8
5	Trans World Airlines	131.2	125.2	123.5	68.3	87.4
6	United Airlines	525.6	466.8	457.0	722.6	761.7
7	Western Airlines	438.8	371.2	358.8	365.5	374.6
8	Other[1]	28.1	23.8	28.8	–	–
9	Subtotal	6,114.4	5,829.9	6,029.5	6,422.5	6,980.7
	Los Angeles-San Diego					
10	Air California	60.8	44.7	57.2	62.8	60.8
11	American Airlines	59.0	73.0	57.8	206.6	243.5
12	Delta Airlines	88.0	90.8	85.5	130.6	141.2
13	National Airlines	8.5	10.9	13.8	49.9	40.6
14	Pacific Southwest Airlines	920.3	751.7	758.6	709.4	706.4
15	United Airlines	44.4	32.0	27.7	87.3	88.3
16	Western Airlines	46.0	49.5	41.5	97.4	128.0
17	Other[1]	4.1	3.4	4.3	18.9	46.5
18	Subtotal	1,231.1	1,053.4	1,046.4	1,362.9	1,455.3
	Los Angeles-Sacramento					
19	Air California	177.9	194.0	235.1	243.4	273.9
20	Pacific Southwest Airlines	491.0	501.4	484.9	581.5	665.5
21	United Airlines	2.6	1.9	1.5	–	–
22	Western Airlines	257.9	225.9	241.5	322.5	378.5
23	Other[1]	3.8	2.4	2.7	–	–
24	Subtotal	933.2	925.6	965.7	1,147.4	1,317.9
	Total Intrastate					
25	American Airlines	70.3	76.8	67.9	245.6	288.6
26	Continental Airlines	23.4	30.0	40.5	21.6	14.2
27	Delta Airlines	88.2	90.9	85.6	130.6	141.3
28	Hughes Air West	299.3	299.4	329.9	606.6	745.9
29	National Airlines	8.6	11.0	13.9	49.9	40.6
30	Trans World Airlines	131.5	125.2	124.1	68.3	87.4
31	United Airlines	1,324.6	1,267.2	1,270.5	2,116.9	2,288.5
32	Western Airlines	858.3	738.3	724.9	893.4	987.0
33	Air California	1,445.4	1,413.3	1,788.2	2,052.5	2,344.7
34	Holiday Airlines[2]	74.5	53.1	–	–	–
35	Pacific Southwest Airlines	6,356.4	6,258.5	6,517.2	6,810.8	7,531.6
36	Intrastate carriers operating sm. aircraft	543.2	523.9	601.4	769.3	980.7
37	Other[1]	107.1	90.6	107.2	–	–
38	Total	11,330.8	10,978.2	11,671.3	13,765.5	15,450.5

Source: CAB O & D Survey and C.P.U.C. Form No. 1525
[1] Traffic of small volume-Unknown carriers and interline passengers.
[2] Holiday Airlines stopped operating on February 6, 1975.
NOTE: Los Angeles includes Burbank, Long Beach, Ontario and Santa Ana; San Francisco includes Oakland and San Jose.

DECISIONS ON AIRLINE CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FISCAL YEAR 1978/79

Decision No.	Date Signed	Appl. No.	Carrier	Remarks
89073	7-11-78	57064	Pacific Southwest	Sets aside Air California protest to the granting of certificate to PSA for nonstop service between San Diego and San Jose.
89139	7-25-78	57475	Eureka Aero	Grants certificate for service between Sonoma County and Oakland, and for service to Redding.
89163	7-25-78	57952	Stol Air	Grants Stol Air permanent certificate for service at Ukiah, Clear Lake, Novato and Santa Rosa. Revokes certificate of Marvin Aviation.
89168	7-25-78	C.10626	PSA Air California	Orders PSA to discontinue one-stop service between San Diego and Oakland via San Jose.
89194	8-8-78	57116 57475	Stol Air Eureka Aero	Grants Stol Air certificate for service between Oakland and Santa Rosa, Concord, Napa, and Novato, and between Santa Rosa and Napa. Grants Eureka Aero certificate for service between Santa Rosa and Oakland, and for service to Redding, et cetera.
89223	8-8-78	C.10641	PSA Air California	Orders Air California to discontinue service between San Diego and Oakland via San Jose, without stopping at Orange County or Ontario.
89224	8-8-78	54604 54899 55009	Marin Aviation PSA Air California	Grants Marin Aviation certificate for service between Stockton, Crescent City, etc. Grants PSA certificate for service between Tahoe Valley and San Francisco, Los Angeles and San Diego, etc. Grants Air California certificate for service between Lake Tahoe and Sacramento, San Diego, etc.
89268	8-22-78	55949 53266	Holiday Airlines Air California	Transfers certificate of Holiday Airlines to Air California.
89300	8-22-78	58286 58292	Air California PSA	Grants Air California and PSA certificates for service between Oakland and San Jose.
89307	8-22-78	56566	Air California	Grants Air California certificate for service between Fresno and South Lake Tahoe, Oakland, etc. Denies application of Air California for rehearing of D.88776.
89359	9-6-78	58181	Inland Empire Airlines	Grants Inland Empire Airlines certificate for service between Apple Valley, Victorville and Los Angeles.
89360	9-6-78	58240	Emilio's Air Service	Grants Emilio's Air Service certificate for operations between Oakland, Truckee, South Shore, Reno, Carson City.
89512	10-3-78	58361	Nor-Cal Aviation Eureka Aero	Dismisses application of Nor-Cal Aviation for transfer of passenger air certificate to Eureka Aero without prejudice.
89533	10-17-78	56747	WestAir	Makes permanent temporary certificate of WestAir (successor to StolAir) for service between San Francisco and Oakland.
89550	10-17-78	58342	Golden West	Grants Golden West certificate for service between Edwards Air Force Base and Los Angeles, revokes Golden West's authority at Trona Airport.
89557	10-17-78	56773	Eureka Aero	Makes permanent temporary certificate of Eureka Aero for service between Oakland and San Francisco.
89609	10-31-78	56609 57366	Air California PSA	Grants Air California certificate for service between San Diego and Sacramento via Ontario; grants PSA certificate for non-stop service between Ontario and Sacramento.
89611	10-31-78	58341	Eagle Airlines	Grants Eagle Airlines certificate for service between Los Angeles and Paso Robles.
89705	12-1-78	58363	H&H Air Service	Dismisses application of H&H Air Service for certificate for service between Redding and Chico, San Jose and Monterey, etc., without prejudice.
89727	12-12-78	58333	Swift Aire	Eliminates minimum service requirements on service between San Jose and Fresno.
89739	12-12-78	58400	Sun Aire Lines	Grants Sun Aire Lines certificate for service between Long Beach and San Diego.
89746	12-12-78	58225	Yosemite Airlines	Grants Yosemite Airlines temporary certificate for service between Columbia and Pine Mountain Airports, etc.

89747	12-12-78	58454	Yosemite Airlines	Grants Yosemite Airlines temporary authority to suspend operations between Oakland and Columbia/Pine Mountain Lake.
89795	12-19-78	58485	Eureka Aero	Grants Eureka Aero certificate for direct route service between Murray Field, Eureka and San Francisco.
89966	2-14-79	54944 54955 55011	PSA Air California	In D.84495, the Commission denied PSA A.54944 for service between Ontario and San Jose/Oakland. This decision denies PSA's application to reopen the proceedings.
89967	2-14-79	54954	Air California	In D.87436, the Commission denied Air California's application to provide service between Palm Springs and San Diego. This decision denies Air California's application to reopen the proceedings.
90013	2-27-79	58532	H&H Air Service WestAir	Grants authority for H&H Air Service to transfer certificate for service at Clear Lake, Chico, etc. to WestAir Commuter Airlines, and consolidates routes.
90014	2-27-79	58576	Air Pacific	Grants Air Pacific certificate for service between Arcata, Sacramento, etc. and San Francisco/Oakland.
90015	2-27-79	58577	Air Pacific	Grants Air Pacific certificate for service between Redding, Chico and San Francisco.
90021	2-27-79	58208	C&M Aviation	Grants C&M Aviation certificate for service between Inyokern and Los Angeles, etc.
90025	2-27-79	58595	Sun Aire Lines	Grants Sun Aire Lines temporary certificate for service between El Centro and Los Angeles.
90039	2-27-79	58593	Paso Robles Flying Service	Interim order grants Paso Robles Flying Service certificate for operations between San Francisco and Paso Robles.
90040	2-27-79	58596	Eagle Airlines	Interim order grants Eagle Airlines certificate for operations between Paso Robles, San Francisco and San Jose.
90086	3-13-79	58577 58532	Air Pacific WestAir H&H Air Service	Changes effective date of D.90015 and 90013 to 3/15/79 to permit Air Pacific and WestAir to begin nonstop service between Chico and San Francisco as of that date.

AIR PASSENGER FARE PROCEEDINGS DECIDED DURING FISCAL YEAR 1978–79

Decision Number	Appl. Number	Carrier	Estimated Annual Intrastate Revenue Under Present Fares	Estimated Annual Intrastate Revenue Under Fares Authorized by the Commission
89149	58001	PSA [a]	$207,439,000	$222,789,000
89161	58179	Air California [a]	90,886,000	95,386,000
89230	58179	Stol Air	1,418,000	1,550,000
89373	58260	Swift Aire Lines [b]	4,206,000	4,229,000
89434	58279	United Airlines [a]	74,079,000	76,518,000
89536	58063	Continental Airlines [a]	1,922,000	1,978,000
89546	58326	United Airlines [b]	76,518,000	76,866,000
89604	58306	Borrego Springs Airline	1,279,000	1,472,000
89685	58251	Swift Aire Lines [a]	4,229,000	4,714,000
89691	58357	Yosemite Airlines [a]	135,000	155,000
89692	58444	Eureka Aero [a]	1,286,000	1,855,000
89732	58126	Air California [c]	95,386,000	95,486,000
89843	58531	Hughes Airwest [a]	21,740,000	23,349,000
89929	59572	Golden West [a]	11,993,000	12,294,000
90156	58251	Swift Aire Lines [c]	4,714,000	4,714,000

[a] Decision granted a fare zone between an increase no greater than 15% above nor less than 35% below fares in existence at the time of the decision.
[b] Air freight increase only.
[c] Round off of fares to closest even dollar.
At the time of the permanent injoinment, the Commission had five pending air carrier applications requesting an increase in fares.

TOTAL PASSENGERS BOARDING AND DEPLANING AT MAJOR CALIFORNIA AIRPORTS

(Thousands)

Airports	Calendar Years				
	1974	1975	1976	1977	1978
Los Angeles	23,585	23,719	25,983	28,362	32,901
San Francisco	16,201	16,362	17,564	20,249	23,041
San Diego	4,411	4,491	4,912	5,448	6,186
Oakland	2,296	2,215	2,255	2,500	2,788
San Jose	2,146	2,311	2,662	3,052	3,399
Sacramento	1,899	1,931	2,170	2,506	2,796
Hollywood/Burbank	1,643	1,631	1,716	1,999	2,251
Ontario	1,250	1,290	1,435	1,681	2,005
Orange County	1,563	1,583	1,825	2,159	2,381
Fresno	745	771	883	972	1,161
Long Beach	341	368	445	404	480
Total	56,080	56,652	61,860	69,332	79,391
Percent Increase or Decrease Year-to-Year—%	+2.7	+1.0	+9.2	+10.8	+12.7

Special Projects Task Force

The Special Projects Task Force was organized in July, 1977, to perform studies relative to PUC Application No. 57289 filed on May 9, 1977 by Southern Pacific Transportation Company (SPTCo.) for the discontinuance of its passenger train operations between San Francisco, San Jose and intermediate points. On April 19, 1978, by Decision No. 88750, the commission denied SPTCo.'s application for discontinuance and ordered the continuation of Case No. 10380, an Order Instituting Investigation (O.I.I.), into SPTCo.'s rail passenger operations, service, rates, rules, regulations, facilities, equipment, contracts and practices for the purpose of determining reasonableness and adequacy. Decision No. 88750 also deemed it appropriate to consider within the scope of Case No. 10380 such issues as reduction of service, further rate increases and subsidies for the purpose of retaining the passenger service operation provided by SPTCo.

During fiscal year 1978–1979, the Special Projects Task Force continued investigations into SPTCo.'s rail passenger operations and continued participation in the Interstate Commerce Commission's Finance Docket No. 28611. The Finance Docket was the result of SPTCo.'s petition in November, 1977, to the I.C.C. for discontinuance of passenger train service in the San Francisco to San Jose commute corridor.

Extensive hearings on public convenience and necessity were held in April and May of 1978 throughout various cities in the peninsula before I.C.C.'s Administrative Law Judge Robert T. Wallace. The public convenience and necessity hearings were concluded, subject to the filings of briefs, in July, 1978.

In August, 1978, the Interstate Commerce Commission distributed to all parties its Draft Environmental Impact Statement to evaluate the environmental effects of discontinuance. Environmental hearings were held before Administrative Law Judge Wallace and were concluded in December of 1978 subject to the filing of briefs. A decision by the I.C.C. on SPTCo.'s application for discontinuance is expected late 1979.

SPTCo.'s commute passenger ridership increased substantially in May, 1979. This occurred during the sudden gasoline shortage that affected the cities in the San Francisco to San Jose peninsula. SPTCo.'s passenger ridership increased from 7,000 daily commute riders to 8,500.

Assembly Bill 111 has been introduced by Assemblyman Papan to extend and protect the special bulk purchase of SPTCo. commuter train tickets by public transit agencies for discount resale to peninsula commuters. The current special bulk purchase of SPTCo. commuter train tickets is provided by A.B. 1853 which is effective only until January 1, 1980. This bill will delete the January 1, 1980 termination date and will be extended indefinitely if passed. There is currently no opposition to this bill.

Railroad Operations and Safety

Traffic Engineering Section

Priority List of Grade Separation Projects

The State Legislature established a Grade Separation Fund in 1957 and continued the fund through 1970 in the amount of $5 million annually. In 1971 the Legislature amended Section 190 of the Streets and Highway Code to make available $10 million annually for allocation and expenditure with $5 million to be reverted to the fund if not expended, and commencing with the 1972–73 fiscal year the sum of $5 million additional for each of two years was set aside for grade separation projects. In 1973 the Legislature again changed the Streets and Highways Code which governs the Grade Separation Fund. The new legislation increased the fund to a minimum $15 million annually, but allows projects from Caltrans as well as from cities and counties to qualify. For Fiscal Year 1978–79, $25,000,000 was appropriated under Section 190 of the Streets and Highways Code for Grade Separation projects.

The Public Utilities Commission annually develops, after public hearings, a priority list of crossings most urgently in need of separation or alteration. The list must be issued by July 1.

The fund is administered by the California Transportation Commission (successor to the California Highway Commission) and since 1957, $171 million has been allocated to cities and counties; with their matching funds and payments by the railroads, approximately $294 million has been expended for grade separations throughout the state to improve public safety. As a result of this program, approximately 186 separation projects have now been completed or are under construction.

Following is the 1979–80 priority list consisting of 73 projects as established by Decision No. 90399, dated June 5, 1979.

Priority Number	Agency	Crossing	RR
1	Buena Park	Beach Blvd.	AT&SF
2	Ontario	Euclid Ave.	SP
3	El Monte	Peck Rd—Ramona Rd	SP
4	Alameda County	Livermore—Pleasanton Consolidation	WPRR
5	Alameda County	Sunol—Pleasanton Consolidation	WPRR
6	Oceanside	Combined Lowering	AT&SF
7	Alameda County	Livermore—Altamont Consolidation	SP
8	Dunsmuir	Scherrer Ave.	SP
9	Sunnyvale	Wolfe Rd	SP
10	CALTRANS	138-San Bernardino	AT&SF
11	San Gabriel	San Gabriel Lowering	SP
12	Barstow	First Street	AT&SF
13	CALTRANS	237-Santa Clara	SP
14	Indio	Monroe St	SP
15	Bakersfield	Union-24th	SP
16	Pomona	Roselawn Ave.	SP
17	Fresno County	Ashlan Ave.	SP
18	San Carlos	Holly St	SP
19	Los Angeles	Santa Fe—Washington	AT&SF
20	San Gabriel	San Gabriel Blvd.	SP
21	Bakersfield	H St	AT&SF
22	Salinas	Boronda Rd	SP
23	Oroville	Bridge St Alternate	WPRR
24	Yorba Linda	Wier Canyon	AT&SF
25	Pittsburg	Railroad Ave.	AT&SF
26	Richmond	23rd St	SP
27	Los Angeles County	Greenwood Ave.	AT&SF
28	Riverside	Arlington Ave.	AT&SF
29	Richmond	23rd St	SP
30	Irvine	Irvine Lowering	AT&SF
31	San Jose	Bernal Rd	SP
32	Torrance	Torrance Relocation	SP
33	Stockton	Hammer Lane	WPRR
34	Santa Barbara County	Hollister Ave.	SP
35	CALTRANS	166-Santa Barbara	SP
36	Norwalk	Imperial Highway	SP
37	Anaheim	State College	AT&SF
38	CALTRANS	237-Santa Clara	SP
39	Los Angeles County	Rt 105-Relocation	SP
40	Oroville	Bridge St	WPRR

41	San Gabriel	Romona St	SP
42	San Gabriel	Mission Dr	SP
43	CALTRANS	68-Monterey	SP
44	Anaheim	Lincoln Ave	SP
45	Los Angeles County	Bandini Blvd.	UPRR
46	Los Angeles County	Hollywood Way	SP
47	CALTRANS	70-Yuba	SP
48	Torrance	Del Amo Blvd.	AT&SF
49	Chico	Dayton Road	SP
50	CALTRANS	180-Fresno	AT&SF
51	Los Angeles	North Main St	UPRR
52	CALTRANS	84-Yolo	SP
53	Corona	Railroad—Lincoln	AT&SF
54	Pittsburg	Railroad Ave.	SP
55	Anaheim	Lincoln Ave.	AT&SF
56	San Jose	Branham Ln	SP
57	CALTRANS	79-Riverside	SP
58	San Gabriel	Del Mar Ave.	SP
59	Anaheim	Katella Ave.	SP
60	Anaheim	Brookhurst St	SP
61	Los Angeles	Valley—Eastern	SP
62	CALTRANS	238-Alameda	WPRR
63	Hayward	A Street	WPRR
64	Irvine	Alton Parkway	AT&SF
65	Los Angeles County	Grand—Industry	SP
66	Los Angeles County	Florence Ave.	SP
67	CALTRANS	41-Fresno	SP
68	Los Angeles	Nordhoff St	SP
69	Los Angeles	Saticoy St	SP
70	Contra Costa County	Somersville	SP
71	Rohnert Park	Rohnert Park Expressway	NWPRR
72	Pomona	Humane Way	UPRR
73	Los Angeles County	Douglas St	AT&SF

Crossing Protection Fund

The Crossing Protection Fund was established by the State Legislature in 1953 to assist cities and counties in paying their share of the cost of installing automatic protective devices at railroad-highway grade crossings. Ordinarily, the cost to improve protection at existing crossings is shared on a 50/50 basis between the railroad and the public agency involved, and at new crossings it is usually borne by the party desiring the crossing. The Fund permits assistance to a city or county for a maximum of one-half of its share of cost of the crossing protection, being limited by the practice of the Public Utilities Commission to one-fourth of the total cost of the automatic protection.

This Fund has been augmented by annual budget appropriations since its inception, the most recent being $1,000,000 for the 1978–79 fiscal year. A total of $12,400,000 has been appropriated since 1953.

Analysis of the data underlying the following summary shows that for slightly over twelve million dollars in State Funds expended over a period of 25 years, grade crossing automatic protection, with a total value of almost $50 million, will have been installed.

TOTAL ALLOCATIONS FROM THE CROSSING PROTECTION FUND AS OF JUNE 30, 1979 (Since 1953)

	Requests Approved	Fund Allocated
Counties Total	1,203	$5,147,987
Cities Total	1,673	8,189,922
Total	2,876	$13,337,909

SUMMARY OF ALLOCATIONS FROM CROSSING PROTECTION FUND AS OF JUNE 30, 1979

Action on Request	Number of Requests	Estimated Cost	Total Allocation Requests	Allocations to Cities-Counties
Approved	2,876	$59,580,916	$13,896,501	$13,337,909
Denied	39	410,479	98,694	–
Pending	–	–	–	–
Total Requests Filed	2,915	$59,991,395	$13,995,195	$13,337,909
Returned to Fund (Final Cost Less Than Allocations)				$1,382,976
Net Amount Allocated to Cities & Counties				$11,954,933
Total Amount Appropriated				$12,400,000
Balance in Fund Unallocated				$445,067
Pending Allocation Requests				–

Simplified Procedure

When all parties are in agreement, an application for a crossing improvement may be filed under a simplified procedure and approval without formal application or hearing under the terms of the commission's General Order 88. Fourteen applications were filed during the fiscal year, processed by the staff and approval granted.

Automatic Grade Crossing Protection Maintenance Fund

The Grade Crossing Protection Maintenance Fund was established by the Legislature in 1965 to pay the cities' and counties' share of the cost of maintaining automatic protective devices installed after October 1, 1965. Section 1202.2, of the Public Utilities Code, requires the commission to allocate the maintenance cost of crossing protection between the railroads and the public agencies in the same proportion as the cost of construction.

This fund is augmented in each annual budget of the California Transportation Commission for allocation to the Public Utilities Commission to pay the cities' or counties' share of the cost of maintaining automatic protective devices, the most recent appropriation being $1,625,000 for the fiscal year 1978–79.

A total of $7,889,618 has been authorized for payment as of June 30, 1979. For the fiscal year 1978–79, 2,202 payments, amounting to $966,146.54 were provided for the benefit of 191 cities and 39 counties. Set forth in the tabulation below are the number of grade crossings and payments made for maintaining automatic grade crossing protection for the fiscal years 1968 through 1978–79.

GRADE CROSSING MAINTENANCE PAYMENTS 1965–79

Fiscal Year	Number of Crossing Payments	Amount Paid	Average Payment Per Crossing
1967–68 *	74	$16,336	$221
1968–69	205	65,643	320
1969–70	392	144,372	368
1970–71	1,863	702,614	377
1971–72	1,844	692,296	375
1972–73	1,484	605,053	408
1973–74	2,421	997,160	412
1974–75	1,309	551,783	422
1975–76	2,639	1,122,916	425
1976–77	2,450	1,021,839	417
1977–78	2,353	1,003,479	426
1978–79	2,202	966,147	439
	19,236	$7,889,618	$410

* Initial payments authorized by Resolution CPM-1 dated April 16, 1968.

Grade Crossing Accidents

Reports of all accidents occurring at railroad-highway crossings are filed with the commission and become a significant factor in our efforts to reduce hazards at the crossings. A summary of accidents for the calendar year 1978 is shown below:

	Number of Accidents	Persons Killed	Persons Injured
Vehicle-Train Accidents			
At public crossings	581	38	172
At private crossings	82	1	15
Between crossings	1	–	–
Total	664	39	187
Other Accidents			
Miscellaneous	15	1	3
Pedestrian Accidents	16	12	4
Total Other Accidents	31	13	7
Total Accidents	695	52	194

Notes:

"Vehicle" includes automobile, bus, truck, or motorcycle.

"Between Crossings" accidents take place where railroad trains operate longitudinally in paved streets.

"Miscellaneous" includes: First, all vehicles which had no contact with the train, but struck track maintenance equipment; second, those accidents where the train struck a bicycle, farm tractor or similar conveyance.

Protection Installed At Grade Crossings

The cooperation of cities, counties, railroads, State Department of Transportation and the continuing efforts of the commission's staff resulted in improvements of existing grade crossing protection at 147 locations in 1978. In addition, 22 new grade crossings were opened with automatic protection, making a total of 169 crossings at which automatic protection was installed during the year, of which 152 were provided with automatic gates. The following table indicates how these improvements were distributed throughout the State in 1978.

County	New Crossings	Initial and Improved Automatic Protection	Automatic Gates
Alameda	4	5	5
Amador	–	1	1
Butte	–	2	2
Contra Costa	–	5	5
Fresno	1	4	4
Glenn	–	2	2
Humboldt	–	1	1
Imperial	–	5	5
Kern	–	6	6
Kings	–	1	1
Los Angeles	2	18	14
Madera	–	4	4
Mendocino	–	2	2
Merced	–	3	3
Monterey	1	2	3
Napa	–	1	1
Orange	1	9	10
Placer	–	3	3
Plumas	1	–	1
Riverside	1	1	2
Sacramento	–	6	6
San Bernardino	–	4	4
San Diego	–	5	5
San Joaquin	3	11	11
San Luis Obispo	1	–	1
San Mateo	1	1	1
Santa Barbara	–	2	2
Santa Clara	3	6	8
Santa Cruz	–	1	1
Shasta	–	2	2
Siskiyou	–	1	1
Solano	–	3	3
Sonoma	–	5	5
Stanislaus	1	12	13
Tehama	–	1	1
Tulare	1	9	9
Ventura	–	1	1
Yolo	1	–	1
Yuba	–	2	2
Total	22	147	152

Informal Complaints

The Fiscal Year 1978–79 saw a significant decrease in the number of Informal Complaints handled by the commission's Operation and Safety Section personnel. There were 222 informal complaints filed during Fiscal Year 1978–79 compared to 268 filed the preceding year. These complaints were filed by individuals, local governmental agencies, and all classes of railroad organizations seeking assistance or relief from the practices of rail carriers where, in their judgment, such activities were considered detrimental to their health, safety, comfort, and convenience.

Contributing factors for the decrease in complaints were the combining of numerous caboose complaints and the incorporation of old and new complaints covering the same areas with regard to clearance and walkway items. This method allows the staff to review previous handling of similar complaints, thus eliminating the time consuming duplication of files. It further provides the staff with past documentation to present to railroad representatives to confirm problem areas which, in the past, have not received appropriate attention to resolve matters on a permanent basis.

Several informal complaints received cover large areas as opposed to specific confined areas reported in the past which concern the same basic complaint, i.e., vegetation. Typical examples of this new method of informal complaint are complaints covering entire subdivisions requiring the staff to make a thorough inspection and report their findings to the carrier in order to establish a program for effective elimination of unsafe conditions.

Past practice of responding to informal complaints did not prove as effective as the staff or the complainants desired due to division forces being spread too thin to sufficiently handle areas requiring attention.

General Order 114 and 126

General Order 114 established minimum safety, health and comfort standards required of all cabooses in which railroad personnel are required to ride in the performance of their duties. General Order 126 sets minimum require-

ments for the contents of first aid kits and requires such kits to be carried on passenger cars, cabooses and locomotives.

Defects or deficiencies in the required standards for cabooses are normally detected by the staff in the course of random inspections or they are reported through informal complaints from the labor organizations representing train crewmen assigned to use cabooses.

The number of informal complaints concerning caboose conditions remains the same as reported the previous fiscal year. The number of defects and deficiencies reported to the carrier has decreased. This trend is attributed to the decrease in the number of random inspections conducted by the staff due to personnel reductions.

A new generation of cabooses is making its appearance in California. One carrier has started to place a new series in service and another major carrier is about to do so. These new cabooses have been designed with operation in California in mind and initial inspection disclosed full compliance with General Orders 114 and 126.

Power and Equipment pooling agreements between the Western railroads and several large carriers in the east has resulted in the occasional operation of a foreign line caboose in California which does not comply with General Orders 114 and 126. Staff activities have included efforts to bring these violations of the Commission's orders to a formal hearing seeking penalty action against the carrier involved.

General Order 135

The Public Utilities Commission's General Order 135 prescribes the regulations by which railroad trains may occupy public grade crossings. Due to limited staff, most activity with regard to these matters results from complaints registered with the Commission by the general public who are blocked for excessive periods of time by standing trains at public grade crossings. The complaints are investigated by the staff to determine the cause of the excessive blocking and to decide if the blocking was justified under the terms of this General Order. The complainant is notified of the staff's findings and may pursue prosecution of the railroad by filing a complaint with the appropriate district attorney as prescribed by the General Order.

As a result of events brought to the staff's attention related to General Order 135, a system of communication was developed within the past year between the Police and Fire Departments and the Northwestern Pacific Railroad in Willits as well as the Police and Fire Departments and the Southern Pacific, Western Pacific, and Santa Fe in the Stockton area. The staff promoted and monitored the development of these arrangements which allows for the prompt clearing of crossings within the city when needed for the movement of emergency vehicles.

Clearances and Walkways Adjacent to Track—General Orders 26D and 118

The commission's General Order 26D, among other things, prescribes the minimum clearance on common carrier railroads for side and overhead structures adjacent to tracks and the minimum distances between centerlines of parallel tracks.

General Order 118 prescribes the type and extent of walkways considered adequate adjacent to tracks according to their designated usage. Through the provisions of this General Order, the staff also maintains a continuous program to increase safety of operations by the removal and control of weeds and other vegetation adjacent to tracks.

In the past the Operation and Safety Section has made inspections in the form of General Surveys covering large areas. This practice was discontinued in 1978 due to staff reduction. Area inspections and random inspections are now being made covering smaller areas in order to secure correction of items found at variance with our General Orders in a more timely manner.

These inspections include taking exact measurements of many objects, materials, installations and walkways adjacent to tracks owned and maintained by private industries as well as connecting and supporting trackage owned and maintained by the railroad.

Within California, the common carrier railroads operate over approximately 6,800 miles of main and branch lines and over thousands of additional miles of yard and industry owned tracks. All of this trackage is subject to the clearance and walkway requirements of General Order 26D and 118.

The resulting inspections listed 1,250 impaired clearance conditions and 2,215 conditions noting inadequate walkways.

Through the use of follow-up inspections and the combined effort of the staff and railroad personnel, 1,704 impaired clearance conditions, and 2,560 inadequate walkway conditions were corrected during the fiscal year.

SP Seeking Joint Operations With WP

In April 1979, Southern Pacific announced its plans to ask the ICC for authority to abandon its Altamont Line between Niles and Tracy and coordinate its rail operations over the Western Pacific.

The railroads now serve the area over roughly parallel tracks, and coordination will mean greater efficiency and savings for both lines.

The public would also benefit from the plan with the elimination of grade crossings and the possible opening of the right-of-way for non-railroad users. The plan envisions Southern Pacific operating on the Western Pacific Main Line between Stockton and Fremont, with Southern Pacific removing approximately 35 miles of track between Niles and Tracy.

Northwestern Pacific Railroad Tunnel Fire—Island Mountain

A fire in Tunnel #27 on the Northwestern Pacific Railroad near Island Mountain, located in the Eel River Canyon, Sept. 6, 1978, and resulting cave-in blocked approximately 1,700 feet and caused extensive damage to an additional 700 feet of the southend of the tunnel.

Nine locomotives and approximately 500 cars are trapped in the Eureka area as a result of the closure of the

tunnel. Shippers have been relieved from demurrage charges due to an ICC decision concerning catastrophies.

Excavation of debris began in December, 1978, and the spraying of concrete three to four inches thick over the roof and walls of the tunnel is being done to prevent deterioration. Steel is being used to reinforce the tunnel where necessary. Carrier management has projected the tunnel will be cleared by October, 1979, and train service restored in mid-November, 1979.

General Order 108— Efficiency Tests of Train and Engine Crews

Under provisions of General Order 108, the carriers must file with the commission copies of their railroad operating rules. These rules require strict compliance by engine and train crews with the specific instructions concerning action to be taken in response to automatic block signal indications, flagging rules, train orders, and the use of signal devices, such as headlights, torpedoes, flares, and the many other conditions of operation in connection with the movement of trains and other railway equipment.

Testing teams of railroad officials, equipped with the necessary devices to impose certain operating conditions, are sent into the field regularly to insure crew compliance with operating rules. Equipment used for testing includes radio receivers and transmitters, radar speed sensing devices, and automobiles to provide the necessary mobility.

To insure enforcement of these rules, the staff periodically accompanies railroad officers to observe surprise efficiency tests of operating crews.

General Order 33-B— Railroad Interlocking Plants

General Order 33-B prescribes regulations governing construction, maintenance, and operation of railroad interlocking plants. As a part of the administration and enforcement of this General Order, the staff carries out an on-going program of periodic inspections. During the fiscal year, the staff inspected 18 existing interlocking plants. In addition, plans for two new signal installations were reviewed.

The Southern Pacific Transportation Company is installing Centralized Traffic Control on its 109 mile Colton-Palmdale cut-off between Slover and Mojave. The Western Pacific Railroad Company is extending its Centralized Traffic Control System 19 miles between Almanor and Robbers Creek on the Northern California Extension Line. In both cases, present operations are by train orders without the benefit of automatic block signals. The installation of signals and Centralized Control will improve safety and add flexibility to operations while decreasing train delays.

Safety Programs—Railroad Operations

The table below summarizes the staff functions in dealing with problems and in obtaining compliance with several State statutes and Commission General Orders applying to the health and safety of common carrier railroads, operating and non-operating employees, passengers, and the public.

	1974–75	1975–76	1976–77	1977–78–79	1978–79
1. Accident Reports analyzed and tabulated (calendar year)	952	2945**	3509	3326	3680
2. Accidents investigated in detail (calendar year)	79	1114	360	212	273
3. Impaired clearance conditions processed	1170	1264	1424	1254	1704
4. Walkways and unsafe operating conditions processed	1611	1667	2191	2057	2560
5. Equipment Safety Inspection	–*	–*	–*	–*	–*
6. Informal Complaints filed	289	465	317	268	222

* Due to lack of personnel, the staff has been unable to continue this activity since 1971.
** Not comparable to previous years due to major revisions of reporting requirements which require that all on duty injuries or illnesses receiving medical attention be reported.

Railroad Accident Experience

Railroad Accident Experience records are maintained by the staff on a calendar year basis from information derived from copies of Federal accident reports received by the commission from the carrier as provided for in Part 255, Title 49 of the Code of Federal Regulations. The Calendar year 1978 saw the fourth complete year that Federal guidelines for reporting accidents have been in use. These guidelines provide separate reporting for two types of accidents, namely:

1. Rail Equipment Incidents which show that derailments, collisions, and miscellaneous equipment failures in 1978 resulted in 383 incidents showing a combined monetary loss for equipment, track, and signal damage of * $12,092,000. This represents an increase of 18 percent in number of incidents and a 33 percent increase in monetary loss. The Federal Railroad Administration has increased the reporting threshold to $2,900, effective January 1, 1979, to reflect the increase costs of replacing equipment.
2. Illness/Injury Incidents show a total of 3,297 reportable injuries in all categories which reflect a seven percent increase over 1977. However, the increase of Illness/Injury Incidents sustained by railroad personnel was actually only 1.5 percent due to the increase in both locomotive miles and man hours.

In 1978 the 33 common carriers operating in the State reported a total of 3,680 rail Accident/Injury Incidents. The individual reports were reviewed and analyzed at the carrier's General and Division office, resulting in 273 detailed investigations by the staff. In many instances by radio monitoring of the frequencies used by the various carriers, the staff was able to make investigations of an accident within hours of its occurrence. This provided first-hand knowledge of the particular incident and, coupled with the carrier reports, enabled the staff to make highly relevant recommendations for accident prevention, many of which were adopted by various carriers.

* Figures are estimates and do not include lading, cost of clearing wreck, train delays, rerouting, and other costs not directly related to railroad property.

APPENDIX A

National and Regional Committee Work

Members of the Commission and technical experts of its staff were participants in important committee sessions of the National Association of Regulatory Utility Commissioners (NARUC), the Western Conference of Public Service Commissions and other national, regional and state organizations which seek to improve regulatory operations. Serving on such committees during the past fiscal year were:

JOHN E. BRYSON, *President*—Member, NARUC Committee on Gas.

VERNON L. STURGEON, *Commissioner*—Member, NARUC Executive Committee.

RICHARD D. GRAVELLE, *Commissioner*—Member, NARUC Committee on Communications; Member, Federal-State Joint Board in the Matter of Impact of Customer Provision of Terminal Equipment on Jurisdictional Separations, FCC Docket 20981; Secretary-Treasurer, Western Conference of Public Service Commissions; Member, California Transportation Commission.

CLAIRE T. DEDRICK, *Commissioner*—Member, NARUC Committee on Electricity.

LEONARD M. GRIMES, JR., *Commissioner*—Member, NARUC Ad Hoc Committee on the National Energy Act.

JANICE E. KERR, *General Counsel*—Member, NARUC Staff Subcommittee on Law.

HERBERT L. FARMER, *Assistant Executive Director*—Member, NARUC Staff Subcommittee on Computers; Member, Executive Committee, National Conference of State Transportation Specialists.

EUGENE RALEIGH, *Information Officer*—Member, NARUC Staff Subcommittee on Public Information; President, State Information Officers Council, 1978; Vice President, National Association of Government Communicators, San Francisco Bay Area.

WALTER J. CAVAGNARO, *Administrative Law Judge,* Policy and Program Development Unit—Chairman, NARUC Staff Subcommittee on Electricity; Member, NARUC Staff Ad Hoc Subcommittee on National Energy Act; Chairman, NARUC Staff Subcommittee on Implementation of PURPA.

HAROLD SIPE, *Chief Electrical Engineer*—Member, NARUC Staff Subcommittee on Electricity; Member, Western Conference of Public Service Commission's Electric Power Supply Subcommittee.

W. R. STALDER, *Supervising Utilities Engineer,* Electric Branch—Chairman, Western Conference of Public Service Commission's Electric Power Supply Subcommittee.

RICHARD C. RHODES, *Associate Utilities Engineer,* Electric Branch—Member, WCPSC Staff Subcommittee on Electric Power Supply; Member, NARUC Staff Group on Power Plant Productivity Improvement; Member, PUC/CEC Power Plant Productivity Research Review Board.

JACKALYNE P. SMITH, *Research Program Specialist,* Electric Branch—Chairman, NARUC Staff Subcommittee on Economics.

BRUNO A. DAVIS, *Director,* Revenue Requirements Division—Member, NARUC Staff Subcommittee on Engineering.

JOHN J. GIBBONS, *Assistant Director,* Revenue Requirements Division—Member, NARUC Staff Subcommittee on Accounts; Member, NARUC Staff Communications Subcommittee on Manufacturing and Service Affiliates.

MARTIN ABRAMSON, *Chief,* Energy Branch, Revenue Requirements Division—Member, NARUC Staff Subcommittee on Cost Allocations.

GREVILLE L. WAY, *Chief Gas Engineer,* Member, NARUC Staff Subcommittee on Gas; Energy Resources Committee, Interstate Oil Compact Commission.

GEORGE A. AMAROLI, *Chief,* Energy Conservation Branch, Utilities Division—Member, Energy Conservation Subcommittee, NARUC Ad Hoc Committee on National Energy Act.

JANE S. KUMIN, *Counsel,* Policy and Program Development Unit; Member, Incremental Gas Pricing Subcommittee, NARUC Ad Hoc Committee on National Energy Act.

JAMES M. McCRANEY, *Director,* Communications Division—Member, NARUC Staff Subcommittee on Communications and the Subcommittee on Quality of Telephone Service.

PAUL POPENOE, JR., *Supervising Utilities Engineer,* Communications Division—Member, NARUC Staff Communications Subcommittee on Separations and Toll Rate Disparity.

JAMES K. GIBSON, *Director,* Transportation Division—Member, Committee on Highway Grade Crossing Protection, Communication and Signal Section, Association of American Railroads; Member, Institute of Traffic Engineers, Committee 6k-74 on Transit Operating Subsidies.

ROBERT J. CARBERRY, *Principal,* Tariff and License Branch, Transportation Division—Member, Office of Transportation Requirements and Capabilities, State Transportation Organization, Office of Emergency Services.

WILLIAM H. WELL, *Principal,* Passenger Operations Branch, Transportation Division—Member, NARUC Staff Subcommittee on Air Transportation; Member, Air Transportation Committee, National Conference of State Transportation Specialists.

WILLIAM L. OLIVER, *Principal,* Railroad Operations and Safety Branch, Transportation Division—Legislative Committee and Transportation Policy Committee, American Association of Civil Engineers, San Francisco Section; Member, NARUC Staff Subcommittee on Railroads.

GEORGE T. KATAOKA, *Principal,* Freight Economics Branch, Transportation Division—National Conference of State Transportation Specialists, Regional Chairman of Public Law 89-170 Committee; Member of the Long- and Short-Haul Committee.

ORA A. PHILLIPS, *Supervising Transportation Engineer,* Passenger Operations Branch—Member, San Francisco Bay Area Transportation Terminal Authority.

APPENDIX B

Utilities and Carriers Under Commission Jurisdiction

Electric Utilities	13
Gas Utilities	15
Telephone	26
Telegraph	1
Mobile Radiotelephone Utilities	48
Water Utilities	354
Sewers	18
Pipelines	5
Steam Heat Utilities	2
Specialized Carriers—Microwave	1
Commercial Air Operators	2,314
Charter-Party Carriers, Certificated	145
Charter Party Carriers, Permits	488
Passenger Stages	181
Highway Common Carriers, Certificated	389
Petroleum Irregular Route Carriers, Certificated	66
Cement Carriers, Certificated	151
Car Loading Companies	1
Freight Forwarders	43
Express Corporations	17
Railroads	34
Warehouses	229
Inland Passenger Water Carriers, Certificated	15
Inland Water-Carriers, For-Hire	350
Vessels, Freight, Certificated	9
Wharfingers	1

Permits in force, June 30, 1979 (Radial highway common carriers, highway contract carriers, petroleum contract carriers, cement contract carriers, household goods carriers, dump truck carriers, seasonal highway contract carriers and livestock carriers 37,139

These permits are held by 22,609 for-hire truck operators.

Photoelectronic composition by
CALIFORNIA OFFICE OF STATE PRINTING

79335—765 8-79 1,500 LDA